

2023

Annual
Financial
Report

Fiscal Year Ended June 30, 2023



Walla Walla
Community College

Independent Auditor's Report

Board of Trustees
Walla Walla Community College
Walla Walla, Washington

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of Walla Walla Community College (the College), a component unit of the State of Washington, as of and for the year June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Walla Walla Community College Foundation (the Foundation) which represent 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit. The Foundation's financial statements which were prepared in accordance with accounting standards as issued by the Financial Accounting Standards Board, were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it related to the amounts included for the Foundation, is based solely on the report of other auditors.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the College, a component unit of the State of Washington, are intended to present the financial position, and the changes in the 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 unit. They do not purport to, and do not, present fairly the financial position of the State of Washington as of June 30, 2023, the changes in its

financial position, and where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

The financial statements for the year ended June 30, 2023 reflect a prior period adjustment as described further in note 20 to the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and *pension and other post-employment benefit schedules* 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *Trustees and Governance Officers* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2025 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Walla Walla Community College's internal control over financial reporting and compliance.

Davis Fava LLP

Irvine, California
April 18, 2025

2023 Financial Report

Walla Walla Community College July 1, 2022 through June 30, 2023

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For information about the financial data included in this report, contact:

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You may view the financial report at <https://www.wvcc.edu/about/financial-statements/>

For information about enrollment and degrees awarded contact:

Walla Walla Community College

Vice President of Planning, Effectiveness & Economic Development

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Walla Walla, WA 99362

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For information about academic programs contact:

Walla Walla Community College

Vice President of Instruction

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Trustees and Governance Officers

BOARD OF TRUSTEES

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Student Government Council - Ricky Gonzalez
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Brooke Marshall – Ex-Officio
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Angela Evensen – Admin Support/Ex-Officio

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

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 5,760 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 remove barriers to access, provide high quality educational experiences, and facilitate equitable learning and success to cultivate thriving rural communities.

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, 2023. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the College's financial health.

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

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

Statement of Net Position

The Statement of Net Position provides information about the College’s financial position and presents the College’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position 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, 2023			
	2023	2022	Change
Assets			
Current Assets	\$ 23,449,908	\$ 20,517,785	\$ 2,932,124
Capital Assets, net	62,692,706	61,764,475	928,232
Other Assets, non-current	2,643,757	4,506,651	(1,862,895)
Total Assets	\$ 88,786,371	\$ 86,788,911	\$ 1,997,460
Deferred Outflows of Resources	\$ 5,132,920	\$ 4,084,511	\$ 1,048,409
Liabilities			
Current Liabilities	\$ 3,742,407	\$ 3,662,477	\$ 79,930
Other Liabilities, non-current	21,633,435	26,990,225	(5,356,791)
Total Liabilities	\$ 25,375,841	\$ 30,652,703	\$ (5,276,861)
Deferred Inflows of Resources	\$ 16,766,917	\$ 14,686,176	\$ 2,080,741
Net Position			
Net Investment in Capital Assets	\$ 55,665,280	\$ 54,354,475	\$ 1,310,805
Restricted	\$ 2,402,267	635,950	1,766,317
Unrestricted	(6,291,014)	(9,455,882)	3,164,868
Total Net Position	\$ 51,776,533	\$ 45,534,543	\$ 6,241,990

Current assets consist primarily of cash, investments in the Washington State Local Government Investment Pool (LGIP), various accounts receivable, and inventories. Current assets increased by \$2.9 million over FY 2022. Accounts receivable increased \$7.3 million while cash and cash equivalents were down \$4.3 million over FY2022. Both changes were primarily due to a delay in the payment of the Corrections Education grant invoiced to the state. This delay resulted from their need to review billed expenses that had previously been paid by the college.

Capital assets, net of depreciation increased by \$9.4 million from FY 2022 to FY 2023 while non-depreciable assets decreased by \$8.6 million. These changes are a result of completing the Science & Technology Building in FY 2023.

Other non-current assets decreased by \$1.9 million over FY 2022. The decrease is primarily the result of the pension portion of GASB 68 which shows a decrease to the net pension asset in the amount of \$2,565,279 from FY 2022 and a new long-term lease receivable, net of allowances in the amount of \$791,901.

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 increase in deferred outflows reflect the College's proportionate share of an increase in the state-wide amounts reported by the Department of Retirement System (DRS) and Health Care Authority (HCA) due to differences between expected and actual experience related to the actuarial assumptions. The College recorded \$4.1 million in FY 2022 and \$5.1 million in FY 2023 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 FY 2023 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 \$14.7 million in FY 2022 and \$15.9 million in FY 2023 of pension and postemployment-related deferred inflows. Deferred Inflows also increased by \$883,102 due to the implementation of GASB 87 Leases in FY 2023.

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

The increase in current liabilities by \$79,930 year over year was largely due to an increase in unearned revenue as a result of early enrollment in FY 2023 for the FY 2024 academic year.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees and the long-term portion of Certificates of Participation debt, net pension liability and OPEB liability. Also included in non-current liabilities are amounts owed under the terms of a lease-purchase agreement with Kelley Connect for \$65,989.

Non-current liabilities decreased \$5.3 million and is primarily the result of a decrease in total Other Post-Employment Benefits liability of \$5.6 million. Other changes to non-current liabilities include an increase to net pension liability in the amount of \$811,014 in FY 2023 and a decrease to the principal amount outstanding on Certificates of Participation, which declined by \$465,000 during FY 2023 due to normally scheduled annual debt service payments.

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 consumables inventory.

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 financial aid and net pension assets fall into this classification.

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	2023	2022	Change
Net investment in capital assets	\$55,665,280	\$54,354,475	\$ 1,310,805
Restricted			
Non expendable	6,560	187,562	(181,003)
Expendable	2,395,708	448,388	1,947,320
Unrestricted	(6,291,014)	(9,455,882)	3,164,868
Total Net Position	\$ 51,776,533	\$ 45,534,543	\$ 6,241,990

Statement of Revenues, Expenses, and Changes in Net Position

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

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

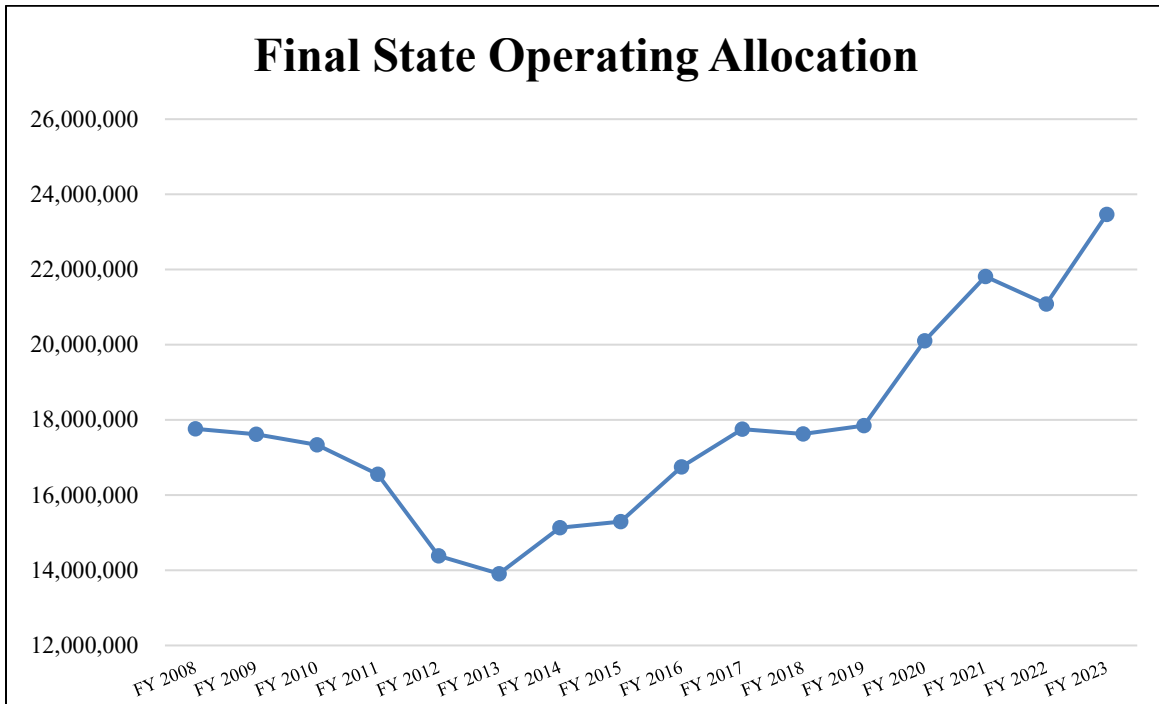
Operating expenses are expenses incurred in the normal operation of the College, including depreciation on property and equipment assets. When operating revenues, excluding state appropriations and Pell Grants, are measured against operating expenses, the College shows an operating loss. The operating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

A condensed comparison of the College's revenues, expenses, and changes in net position for the years ended June 30, 2023 and 2022 is presented below.

Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Year Ended June 30, 2023 and 2022			
Operating Revenues	2023	2022	Change
Student tuition and fees, net	5,950,846	9,679,511	(3,728,664)
Auxiliary enterprise sales	873,544	1,504,026	(630,482)
State and local grants and contracts	18,652,220	10,907,143	7,745,077
Federal grants and contracts	1,778,809	1,035,494	743,315
Other operating revenues	934,781	899,388	35,393
Total operating revenues	28,190,200	24,025,562	4,164,639
Non-Operating Revenues			
State appropriations	23,469,214	21,086,517	2,382,697
Federal Pell grant revenue	7,603,886	4,483,054	3,120,832
Other non-operating revenues	442,974	3,509,855	(3,066,881)
Total non-operating revenues	31,516,074	29,079,426	2,436,648
Total revenues	59,706,274	53,104,988	6,601,286
Operating Expenses			
Salaries and wages	26,734,680	25,305,068	1,429,611
Benefits	7,080,961	5,813,302	1,267,659
Scholarships	5,928,313	10,371,132	(4,442,819)
Depreciation and amortization	2,295,481	2,168,244	127,238
Other operating expenses	13,697,367	10,220,107	3,477,260
Total operating expenses	55,736,802	53,877,852	1,858,950
Non-Operating Expenses			
Building fee remittance	873,268	951,239	(77,971)
Other non-operating expenses	696,728	589,859	106,869
Total non-operating expenses	1,569,996	1,541,098	28,898
Total expenses	57,306,798	55,418,951	1,887,847
Excess (deficiency) before capital contributions	2,399,476	(2,313,963)	4,713,439
Capital appropriations and contributions	4,635,651	9,588,190	(4,952,539)
Change in Net position	7,035,128	7,274,227	(239,100)
Net Position			
Net position, beginning of year	45,534,543	38,260,316	7,274,227
Prior period adjustments or Cumulative effect of a change in accounting principle	(793,137)	-	(793,137)
Net position, beginning of year, as restated	44,741,406	38,260,316	6,481,090
Net position, end of year	51,776,533	45,534,543	6,241,990

Revenues

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



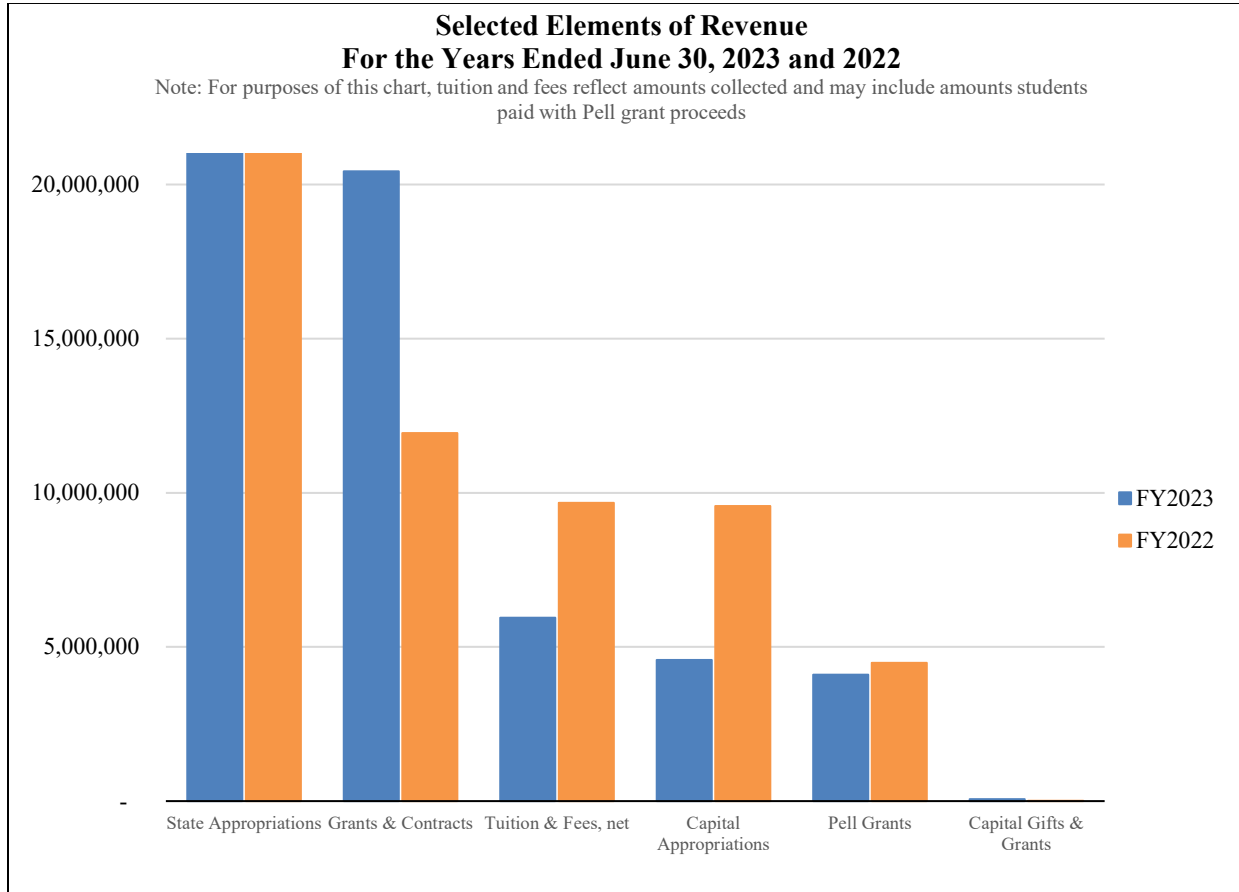
In FY 2023, the College's tuition and fee revenue decreased by \$3.7 million year over year and is primarily attributable to decreased enrollment.

Pell grant revenues generally follow enrollment trends. As the College's enrollment softened during FY 2023, so did the College's Pell Grant revenue. For FY 2023, 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 2023, grant and contract revenues increased by \$8.5 million when compared with FY 2022. The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses. In FY 2023, state and local grants and contracts increased by \$7.8 million primarily due to Corrections Education programs.

The College receives capital spending authority on a biennial basis and may carry unexpended amounts forward into one or two future biennia, depending on the original purpose of the funding. In accordance with accounting standards, the amount shown as capital appropriation revenue on the financial statement is the amount expended in the current year. Expenses from

capital project funds that do not meet accounting standards for capitalization are reported as operating expenses. Those expenses that meet the capitalization standard are not shown as expense in the current period and are instead recognized as depreciation expense over the expected useful lifetime of the asset.



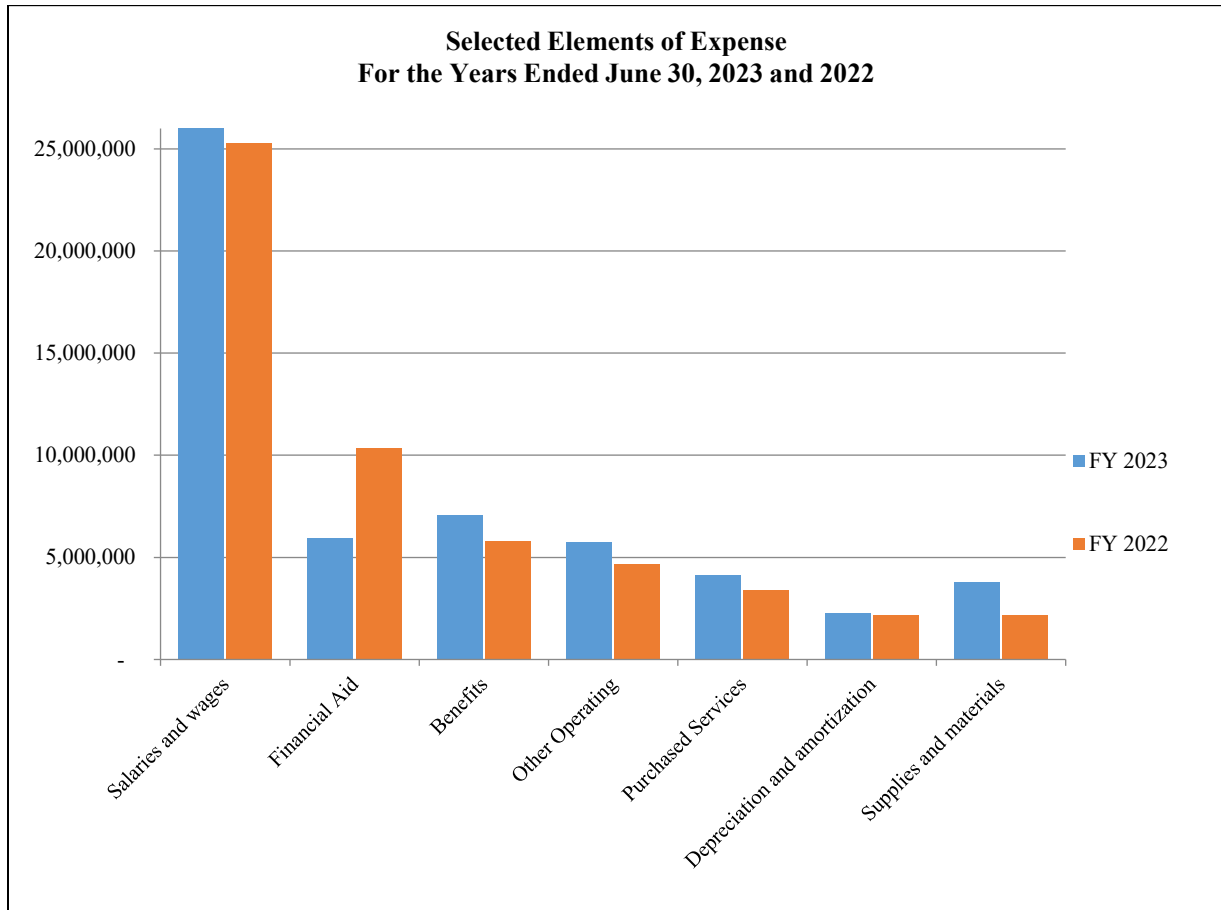
Expenses

The increase of \$2.7 million in salary and benefits from FY 2022 to FY 2023 reflects the growing support for students returning to campus as vacant positions during the pandemic were filled.

Supplies, materials and purchased services increased \$2.4 million 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. As the science building became operational, the college began recognizing depreciation on the building, which added to the overall depreciation expenses. The increased depreciation amount of \$127,238 is largely due to this addition.

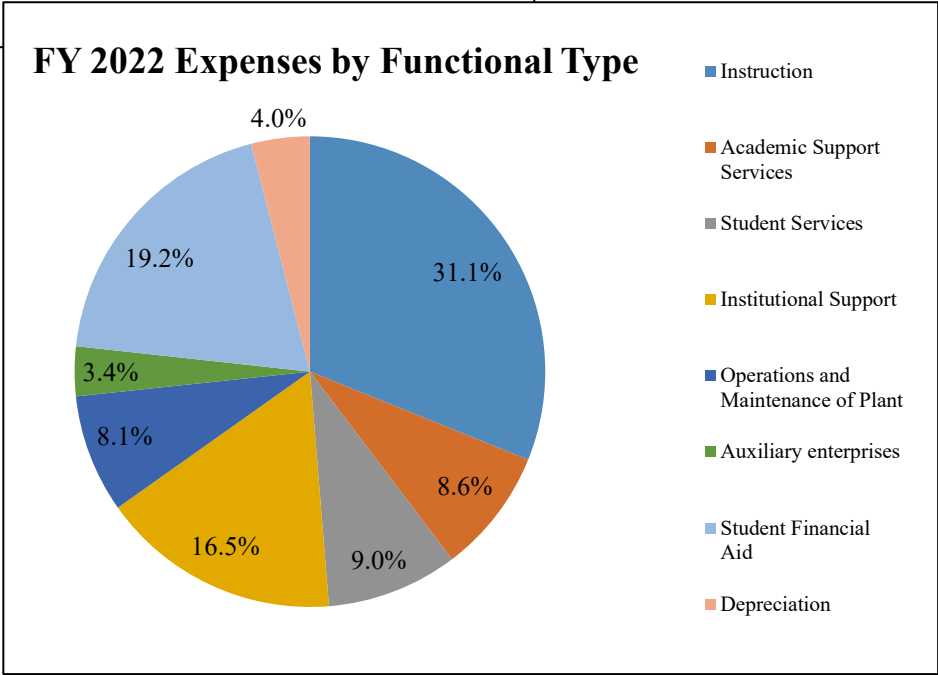
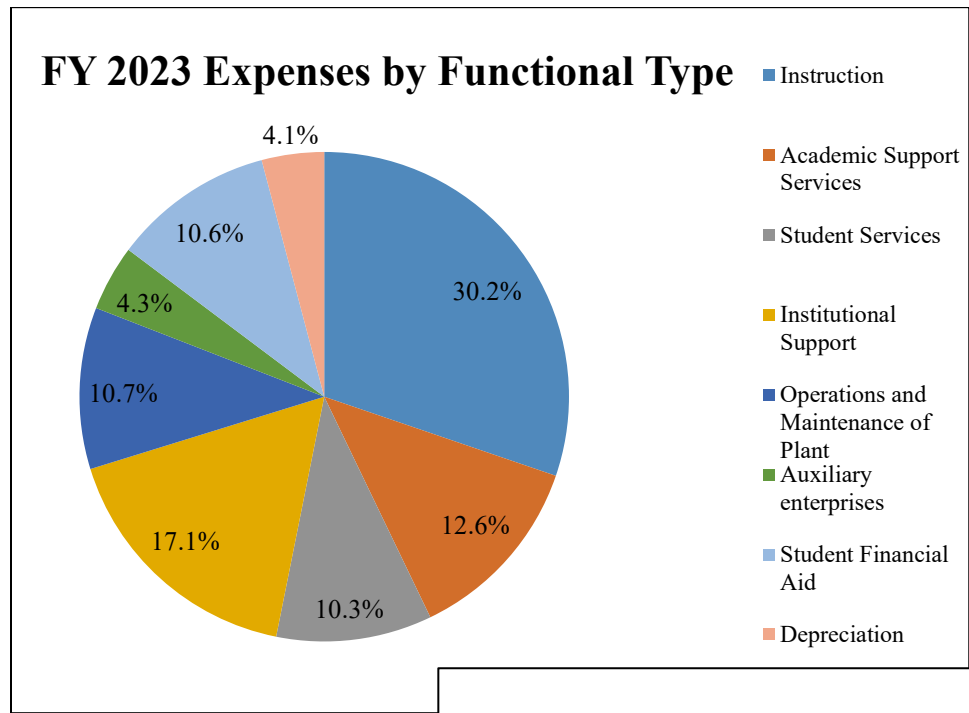
Comparison of Selected Operating Expenses by Function

The following chart shows the amount, in dollars, for selected elements of operating expenses for FY 2023 and FY 2022.



Operating Expenses by Function

The charts below show the percentage of each functional area of operating expenses for FY 2023 and FY 2022.



Capital Assets and Long-Term Debt Activities

The community and technical college system submit a single prioritized request to the Office of Financial Management and the Legislature for appropriated capital funds, which includes major projects, minor projects, repairs, emergency funds, alternative financing, and major leases. The primary funding source for college capital projects is state general obligation bonds. In recent

years, declining state revenues significantly reduced the state's debt capacity and are expected to continue to impact the number of new projects that can be financed.

At June 30, 2023, the College had invested \$62.6 million in capital assets, net of accumulated depreciation. This represents an increase of \$846,317 from last year, as shown in the table below.

Asset Type	June 30, 2023		June 30, 2022		Change
Land	\$	2,553,379	\$	2,553,379	\$ -
Construction in Progress		13,650		8,592,624	(8,578,974)
Buildings, net		57,149,185		48,185,354	8,963,831
Other Improvements and Infrastructure, net		142,927		154,957	(12,029)
Equipment, net		2,642,216		2,226,857	415,359
Library Resources, net		109,434		51,304	58,130
Total Capital Assets, Net	\$	62,610,792	\$	61,764,475	\$ 846,317

The increase in net capital assets can be attributed to a \$384,857 increase in Building and Construction in Progress costs and a \$415,359 increase in equipment costs primarily due to the completion of the science building. Additional information on capital assets can be found in Note 8 of the Notes to the Financial Statements.

Right to use leased assets are also part of capital assets and increased due to entering into a new copier equipment lease for \$87,766. The amounts in the table below are reported net of accumulated amortization.

Asset Type	June 30, 2023		June 30, 2022		Change
Leased Land, net	\$	-	\$	-	\$ -
Leased Buildings, net		-		-	-
Leased Equipment, net		81,915		-	81,915
SBITA Asset, net		-		-	-
Total Right to Use Assets, net of amort	\$	81,915	\$	-	\$ 81,915

At June 30, 2023, the College had \$7.03 million in outstanding debt. This represents a decrease of \$382,574 from last year, as shown in the table below. The college implemented GASB 87 for lease liabilities outstanding and have recorded a right to use lease liability for the leased copier.

	June 30, 2023		June 30, 2022		Change
Certificates of Participation	\$	6,945,000	\$	7,410,000	\$ (465,000)
Right to Use Lease Liabilities		82,426		-	82,426
Total	\$	7,027,426	\$	7,410,000	\$ (382,574)

Additional information regarding notes payable, debt services and long-term debt schedules can be found in Notes 14, 15 and 16 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 state's 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 decrease in enrollment, it is estimated that the College will likely see a decrease in state operating appropriations in future years.

In fiscal year 2021 we received a significant increase in funding as a result of the Workforce Education Investment Act (E2SHB 2158). The bill created a new fund, the Workforce Education Investment Account. Appropriations from the account are supported by an increase in the Business and Occupation tax. These funds were allocated to the colleges as directed in the legislation. Most of these appropriations are budgeted to continue into FY 2024. There were no other significant changes to the method of allocating funds to college districts.

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

The overall economic outlook for the State of Washington is positive, however national trends in the economy continue to weigh down specific sectors. The overall effect on the State of Washington's General Fund revenue collection still continues to be strong. The main sources of revenue for Legislative distributions to community colleges are higher than the assumptions that the legislature used when setting the 2023-25 biennial budget. Because of this, it is unlikely that the legislature will look at a budget cut for community colleges, and will likely have targeted increases for specific programs in the next few years.

Washington's personal income growth, which is the main factor in calculating future tuition increases, has grown faster than the country as a whole, and faster than the assumptions made by the legislature when creating the 2023-25 biennial budget. While the formula for tuition increases tends to downplay any individual year's personal income growth due to the large number of years factored into the calculation, overall, the tuition collection environment statewide looks strong.

Walla Walla Community College
Statement of Net Position
As of June 30, 2023

Assets

Current assets

Cash and cash equivalents (Note 3)	\$	9,835,903
Restricted cash (Note 3)		338,773
Accounts receivable, net of allowances (Note 4)		12,713,896
Lease receivable, net of allowances (Note 6)		95,083
Inventories (Note 7)		425,663
Prepaid expenses (Note 7)		40,591
Total current assets		23,449,908

Non-Current Assets

Long-term lease receivable, net of allowances (Note 6)		791,901
Non-depreciable capital assets (Note 8)		2,567,029
Capital assets, net of depreciation (Note 8)		60,043,763
Leased assets, net of amortization (Note 8)		81,915
Net pension asset (Note 17)		1,851,856
Total non-current assets		65,336,463
Total assets		88,786,371

Deferred Outflows of Resources

Deferred outflows related to pensions (Note 17)		3,586,642
Deferred outflows related to OPEB (Note 18)		1,546,278
Total deferred outflows of resources		5,132,920

Liabilities

Current Liabilities

Accounts payable (Note 9)		152,777
Accrued liabilities (Note 9)		1,613,417
Compensated absences, current portion (Note 12,16)		277,233
Unearned revenue (Note 10)		836,524
Leases & Certificates of participation payable, current portion (Note 13, 14, 15, 16)		496,437
Net pension liability, current portion (Note 16, 17)		88,425
Total OPEB liability, current portion (Note 16, 18)		277,595
Total current liabilities		3,742,407

Non-Current Liabilities

Compensated absences (Note 12, 16)		1,865,477
Leases & Certificates of participation (and loans if applicable) (Note 13, 14, 15, 16)		6,530,989
Net pension liability, non-current (Note 16, 17)		2,515,654
Total OPEB liability, non-current (Note 16, 18)		10,721,314
Total non-current liabilities		21,633,435
Total liabilities		25,375,842

Deferred Inflows of Resources

Deferred inflows on leases receivable (Note 6)		883,102
Deferred inflows related to pensions (Note 17)		4,204,444
Deferred inflows related to OPEB (Note 18)		11,679,371
Total deferred inflows of resources		16,766,917

Net Position

Net Investment in Capital Assets		55,665,280
Restricted for:		
Nonexpendable		6,560
Expendable		2,395,708
Unrestricted (deficit)		(6,291,014)
Total Net Position		\$ 51,776,533

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, 2023

Operating Revenues		
Student tuition and fees, net of scholarship discounts and allowances	\$	5,950,846
Auxiliary enterprise sales		873,544
State and local grants and contracts		18,652,220
Federal grants and contracts		1,778,809
Other operating revenues		930,802
Interest on loans to students		3,979
	Total operating revenue	<u>28,190,200</u>
Operating Expenses		
Salaries and wages		26,734,680
Benefits		7,080,961
Scholarships and fellowships		5,928,313
Supplies and materials		3,822,847
Depreciation and amortization		2,295,481
Purchased services		4,116,083
Utilities		1,092,410
Non-capitalized assets & software maintenance		1,530,377
Repair and maintenance		751,014
Other operating expenses		2,384,636
	Total operating expenses	<u>55,736,802</u>
	Operating income (loss)	<u>(27,546,602)</u>
Non-Operating Revenues (Expenses)		
State appropriations		23,469,214
Federal Pell grant revenue		4,096,983
Federal non-operating revenue		3,506,903
Lease income		106,472
Investment income, gains and losses		336,502
Building fee remittance		(873,268)
Innovation fund remittance		(166,887)
Gain (loss) on asset disposal		(121,618)
Interest on indebtedness		(408,223)
	Net non-operating revenue (expenses)	<u>29,946,078</u>
		<u>2,399,476</u>
		<u>2,399,476</u>
Capital Contributions		
Capital appropriations		4,576,804
Capital gifts		58,847
	Increase (Decrease) in net position	<u>7,035,128</u>
Net Position		
Net position, beginning of year		<u>45,534,543</u>
Prior period adjustment (Note 20)		(793,137)
Net position, beginning of year, as restated		44,741,406
	Net position, end of year	<u>\$ 51,776,533</u>

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, 2023

Cash flows from operating activities	
Student tuition and fees	\$ 5,724,171
Grants and contracts	11,973,933
Payments to vendors	(7,932,116)
Payments for utilities	(1,068,154)
Payments to employees	(26,887,277)
Payments for benefits	(9,150,533)
Auxiliary enterprise sales	1,142,870
Payments for scholarships and fellowships	(5,928,313)
Collection of loans to students and employees	(233,967)
Other receipts	(28,576)
Other payments	(4,655,698)
Net cash used by operating activities	<u>(37,043,661)</u>
 Cash flows from noncapital financing activities	
State appropriations	25,652,746
Pell grants	4,096,983
Other Federal non-operating revenue	3,506,903
Building fee remittance	(853,922)
Innovation fund remittance	(182,509)
Net cash provided by noncapital financing activities	<u>32,220,201</u>
 Cash flows from capital and related financing activities	
Capital appropriations	4,576,804
Lease Receipts	102,590
Proceeds from sale of capital assets	(121,618)
Purchases of capital assets	(3,521,450)
Certificate of participations proceeds	
Principal paid on capital debt and leases	(470,340)
Interest paid on capital debt and leases	(408,223)
Net cash used by capital and related financing activities	<u>157,763</u>
 Cash flows from investing activities	
Income of investments	336,502
Net cash provided by investing activities	<u>336,502</u>
Increase(decrease) in cash and cash equivalents	(4,329,195)
Cash and cash equivalents at the beginning of the year	<u>14,503,871</u>
Cash and cash equivalents at the end of the year	<u><u>10,174,676</u></u>

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, 2023

Reconciliation of Operating Loss to Net Cash used by Operating Activities

Operating Loss	<u>\$ (27,546,602)</u>
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Adjustments to reconcile net loss to net cash used by operating activities

Depreciation expense	2,295,481
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Changes in assets and liabilities

Receivables, net	(9,497,519)
Inventories	15,368
Other assets	10,328
Accounts payable	(92,179)
Accrued liabilities	(60,623)
Unearned revenue	123,697
Compensated absences	(106,090)
Pension liability adjustment	(1,947,576)
Loans to students and employees	(237,946)

Net cash used by operating activities	<u>\$ (37,043,661)</u>
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Significant Noncash Transactions

Capital assets acquired through gifts	58,847
Lease of assets in a capital lease transaction:	
Lease receivables	883,102
Lease payables	87,766

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, 2022

Assets

Current assets

Cash and cash equivalents	\$ 5,055,619
Investments	19,257,771
Inventory	224,676
Assets held for resale	21,558
Prepaid expenses and other assets	32,686
Accounts Receivable	3,118

Total current assets \$ 24,595,428

Property and equipment, net of accumulated depreciation 1,667,497

Other assets

Note Receivable, Long-Term	\$ 576,618
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Total assets \$ 26,839,543

Liabilities and net assets

Current liabilities

Accounts payable	\$ 805,867
Accrued liabilities	7,576

Total liabilities \$ 813,443

Net assets

Unrestricted net assets	\$ 15,922,125
Temporarily restricted net assets	10,103,975

Total net assets \$ 26,026,100

Total liabilities and net assets \$ 26,839,543

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

**Walla Walla Community College Foundation and Subsidiary
Consolidated Statement of Activities and Changes in Net Assets
Year ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue			
Contributions and grants	\$ 83,945	\$ 4,338,970	\$ 4,422,915
Net investment income (loss)	(3,402,709)	31,054	(3,371,655)
In-Kind Goods and Services	205,369	-	205,369
Lease income	135,197	-	135,197
Gain on Sale of Capital Asset	185,100	-	185,100
Warrior Club	10,199	-	10,199
Interest income	22,651	-	22,651
Other income	4,302	-	4,302
Wine Operations			
Retail Sales	333,432	-	333,432
Net assets released from restrictions	<u>1,579,714</u>	<u>(1,579,714)</u>	<u>-</u>
Total public support, revenue and reclassifications	<u>\$ (842,800)</u>	<u>\$ 2,790,310</u>	<u>\$ 1,947,510</u>
Expenses			
Program Expenses	\$ 1,543,869	\$ -	\$ 1,543,869
Management and General	301,969	-	\$ 301,969
Fundraising	81,074	-	\$ 81,074
Total Expenses	<u>\$ 1,926,912</u>	<u>\$ -</u>	<u>\$ 1,926,912</u>
Change in net assets	<u>\$ (2,769,712)</u>	<u>\$ 2,790,310</u>	<u>\$ 20,598</u>
Net assets - beginning of year	18,691,837	7,313,665	26,005,502
Net assets - end of year	<u>\$ 15,922,125</u>	<u>\$ 10,103,975</u>	<u>\$ 26,026,100</u>

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

Notes to the Financial Statements

June 30, 2023

These notes form an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

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 (GAAP). Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2023, the Foundation distributed approximately \$1,150,002 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, includes state and federal appropriations, and certain grants and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met.

The preparation of financial statements in conformity with 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 First in, First Out (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 exist due to vendor prepayments for goods not yet received as of June 30, 2023.

Capital Assets

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

Land, buildings and equipment are recorded at cost, or if acquired by gift, at acquisition value at the date of the gift. GASB 34 guidance concerning preparing initial estimates for historical cost and accumulated depreciation related to infrastructure was followed. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. 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, 2023, no assets had been written down.

Leases (Lessee)

The College determines if an agreement is a lease at inception of the lease contract. Lessee agreements, where the College is leasing assets owned by a third party, are included in capital assets in the Statement of Net Position along with the current and long-term portions or the liability, as listed. Lease assets represent the College's right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized on a straight-line basis over the lease term. Lease liabilities represent the College's obligation to make lease payments, per the lease contract.

Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the College will exercise that option. The College recognizes payments for short-term leases, with a lease term of 12 months or less, as expense in the period incurred.

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

Subscription-Based Information Technology Arrangements (SBITA)

A SBITA is a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract in an exchange or exchange-like transaction for a term exceeding 12 months. A right-to-use subscription asset and a corresponding subscription liability is recognized at the commencement of the subscription term, which is when the subscription asset is placed into service. SBITA assets are amortized on a straight-line-basis over the contract term. SBITA liabilities represent the obligation to make contract payments arising from the SBITA. Interest expense is recognized ratably over the contract term. The SBITA term may include options to extend or terminate the contract when the option is reasonably certain to be exercised. Payments for short-term SBITAs, with a term of 12 months or less, are expensed in the period incurred.

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 include tuition and fees paid with financial aid funds. The College has recorded summer and fall quarter of Fiscal Year (FY) 2024, 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.

Other Post-Employment Benefits 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 considered deferred outflows 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 statute, 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. This includes restrictions of net position for Net Pension Assets in the amount of \$1,851,856.

- *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 restricted resources and then towards unrestricted resources.

Classification of Revenues and Expenses

The College has classified its revenues and expenses as either operating or non-operating 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 the Washington State Office of Superintendent of Public Instruction (OSPI) to offer Running Start and/or Technical High School. The College also receives Adult Basic Education grants that support the primary educational mission of the College.

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

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

Non-operating Expenses. Non-operating expenses include state remittances related to the building fee and the innovation fee, along with 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, 2023 are \$4,175,708.

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 Enterprise Resource Planning (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

Recent Adoptions of Accounting Standards and Changes in Accounting Principle

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for FY23. 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.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for 2023. This statement establishes standards of accounting and financial reporting for SBITAs by a government end user who enters into SBITA contracts to use vendor-provided information technology. It applies to SBITA contracts that convey control of

the right to use another party's information technology software, alone or in combination with a tangible underlying asset in an exchange or exchange-like transaction for a period exceeding 12 months. Under this statement, the government is required to recognize an intangible right-to-use subscription asset and a subscription liability. Cash outlays necessary to place the subscription asset in service can be capitalized. The Colleges have determined that there is no accounting impact for implementation of GASB Statement No. 96 for the year ended June 30, 2023.

Accounting Standards Impacting the Future

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, effective FY25. 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, 2023, the carrying amount of the College’s cash and equivalents was \$10,174,676, as represented in the table below.

Cash and Cash Equivalents		June 30, 2023
Bank Demand and Time Deposits	\$	3,509,938
Local Government Investment Pool		6,316,474
Restricted Cash		338,773
State Agency in Transit		1,650
Petty Cash and Change Funds		7,841
Total Cash and Cash Equivalents	\$	10,174,676

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 Umpqua 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. At June 30, 2023, accounts receivable were as follows:

Accounts Receivable	Amount
Student Tuition and Fees	\$ 1,710,421
Due from the Federal Government	555,594
Due from Other State Agencies	10,858,004
Auxiliary Enterprises	24,719
Other	492,571
Subtotal	13,641,308
Less Allowance for Uncollectible Accounts	(927,413)
Accounts Receivable, net	\$ 12,713,896

Note 5 - Loans Receivable

Loans receivable consist primarily of student loans from the Perkins loan program, which is nearing completion of the liquidation process and will be transferred back to the Department of Education. As of June 30, 2023, three loans remain, all of which are fully reserved, as detailed below:

Loans Receivable	Amount
Student Loans Receivable	\$ 5,335
Less Allowance for Uncollectible Accounts	(5,335)
Loans Receivable, net	\$ -

Note 6 – Leases Receivable

The College leases a portion of its property/equipment/buildings to various third parties, the terms of which expire at various dates through 2032. Payments are constant based on the individual contract terms and conditions. Leases receivable are reported net of amortization on the Statement of Net Position. As of June 30, 2023, the lease receivable for these agreements is \$886,984 and the deferred inflow of resources is \$883,102. Revenue recognized under these lease agreements during the year ended June 30, 2023 was as follows:

Basis	Term (through)	Lease revenue	Interest Revenue	Variable payments
Building	Jun. 2032	\$ 98,122	\$ 8,349	\$ -

Expected future lease and interest revenue related to these agreements at June 30, 2023, follows:

Year Ending June 30	Lease Revenue	Interest Revenue	Total
2024	98,122	7,507	105,629
2025	98,122	6,657	104,779
2026	98,122	5,800	103,922
2027	98,122	4,935	103,057
2028	98,122	4,062	102,184
2029	98,122	3,182	101,304
2030	98,122	2,293	100,415
2031	98,122	1,397	99,519
2032	98,126	493	98,619
	<u>883,102</u>	<u>36,326</u>	<u>919,428</u>

Note 7 – Inventories and Prepaid Expenses

Inventories as of June 30, 2023, were as follows:

Inventories	Method	Amount
Consumable Inventories	FIFO	\$ 6,560
Merchandise Inventories	FIFO	358,456
Work in Progress Inventories	Actual Cost	60,647
Inventories		\$ 425,663

Prepaid expenses consist of vendor prepayments for goods not yet received as of June 30, 2023.

Prepaid Expenses	Amount
Vendor Prepayments	40,591
Prepaid Expenses	\$ 40,591

Note 8 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2023 is presented as follows. The current year depreciation expense was \$2,289,630. The College received a donation of one piece of equipment with an acquisition value of \$58,847 during FY 2023.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Capital assets, non-depreciable				
Land	\$ 2,553,379	\$ -	\$ -	\$ 2,553,379
Construction in progress	\$ 8,592,624	\$ 2,097,203	\$ (10,676,178)	\$ 13,650
Total capital assets, non-depreciable	\$ 11,146,003	\$ 2,097,203	\$ (10,676,178)	\$ 2,567,029
Capital assets, depreciable				
Buildings	\$ 78,308,963	\$ 10,676,178	\$ (358,965)	\$ 88,626,176
Other improvements and infrastructure	\$ 2,801,091	\$ -	\$ -	\$ 2,801,091
Equipment	\$ 11,293,611	\$ 1,083,072	\$ (2,268,565)	\$ 10,108,118
Library resources	\$ 2,988,613	\$ 75,551	\$ -	\$ 3,064,164
Total capital assets, depreciable	\$ 95,392,278	\$ 11,834,801	\$ (2,627,530)	\$ 104,599,549
Less accumulated depreciation				
Buildings	\$ 30,123,609	\$ 1,680,638	\$ (327,256)	\$ 31,476,991
Other improvements and infrastructure	\$ 2,646,134	\$ 12,029	\$ -	\$ 2,658,163
Equipment	\$ 9,066,754	\$ 579,542	\$ (2,180,394)	\$ 7,465,902
Library resources	\$ 2,937,309	\$ 17,421	\$ -	\$ 2,954,729
Total accumulated depreciation	\$ 44,773,806	\$ 2,289,630	\$ (2,507,650)	\$ 44,555,786
Total capital assets, depreciable, net	\$ 50,618,472	\$ 9,545,171	\$ (119,880)	\$ 60,043,763
Capital assets, net	\$ 61,764,475	\$ 11,642,374	\$ (10,796,057)	\$ 62,610,792

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

Lease Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Leased Equipment	-	87,766	-	87,766
Total Lease & Subscription assets	-	87,766	-	87,766
Less accumulated amortization				
Accum. Amort. Leased Equip.	-	5,851	-	5,851
Total accumulated amortization	-	5,851	-	5,851
Lease assets, net	<u>\$ -</u>	<u>\$ 81,915</u>	<u>\$ -</u>	<u>\$ 81,915</u>

Note 9 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2023, were as follows:

<u>Accounts Payable and Accrued Liabilities</u>	<u>Amount</u>
Amounts Owed to Employees	\$ 589,287
Accounts Payable and Other Accrued Liabilities	\$ 1,174,142
Amounts Held for Others and Retainage	\$ 2,766
Total	<u>\$ 1,766,194</u>

Note 10 - Unearned Revenue

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

<u>Unearned Revenue</u>	<u>Amount</u>
Summer and Fall Quarter Tuition & Fees	\$ 382,036
Auxiliary Enterprises	332,590
Grants and Contracts	121,898
Total Unearned Revenue	<u>\$ 836,524</u>

Note 11 - 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, 2022 through June 30, 2023, were \$55,696.

Note 12 - 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 \$1,247,287 and accrued sick leave totaled \$895,423 at June 30, 2023.

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

Note 13 – Leases Payable

Right-to-Use Lease Liabilities

During the FY 2023 fiscal year, the College entered into a five-year equipment lease agreement with Kelley Connect for the use of their copier machines. The lease liability is reported at net present value using the State of Washington's incremental borrowing rate unless otherwise noted in the contract term. Monthly fixed payments related to the lease are \$1,611. The amount of fixed lease payments for FY 2023 was \$6,443. This lease expires in FY 2028.

As of June 30, 2023, the minimum lease payments under this right-to-use lease consists of the following:

As of June 30	Principal	Interest	Total
2024	\$ 16,437	\$ 2,893	\$ 19,330
2025	\$ 17,083	\$ 2,247	\$ 19,330
2026	\$ 17,754	\$ 1,576	\$ 19,330
2027	\$ 18,451	\$ 878	\$ 19,330
2028	\$ 12,702	\$ 185	\$ 12,886
Total minimum lease payments	\$ 82,426	\$ 7,779	\$ 90,205

Note 14 - 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 COP, issued by the 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 February, 2017, the College obtained financing to build a Workforce and Business Education building on the Clarkston Campus through COPs, issued by the OST in the amount of \$1,300,000. The interest rate charged is approximately 3.40725%.

In June, 2004, the College obtained financing to purchase property and buildings adjacent to the Clarkston Campus through COPs, issued by the OST in the amount of \$530,000. In 2013, this COP was refinanced for \$300,000 with an interest rate charged of approximately 1.94084%.

In June, 2004, the College obtained financing to purchase property adjacent to the Walla Walla Campus through COPs, issued by the OST in the amount of \$1,110,000. In 2013, this COP was refinanced for \$630,000 with an interest rate charged of approximately 1.94084%.

In June, 2006, the College obtained financing in order to purchase land and construct the Walla Walla Health Science building through a COP, issued by the OST in the amount of \$1,095,000. In 2015, this COP was refinanced for \$635,000 with an interest rate charged of approximately 1.94084%.

In June, 2007, the College obtained financing in order to build the Clarkston Health Science Building through COPs, issued by the OST in the amount of \$650,000. In 2016, this COP was refinanced for \$360,000 with an interest rate charged of approximately 1.94084%

The College's debt service requirements for these note agreements for the next five years and thereafter are as follows in Note 15.

Note 15 - Annual Debt Service Requirements

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

Fiscal year	Certificates of Participation		Total
	Principal	Interest	
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	\$ 6,945,000	\$ 3,075,550	\$ 10,020,550

Note 16 - Schedule of Long-Term Liabilities

	Balance outstanding 6/30/22	Additions	Reductions	Balance outstanding 6/30/23	Current Portion
Certificates of Participation	\$ 7,410,000	\$ -	\$ 465,000	\$ 6,945,000	\$ 480,000
Lease Liability	-	87,766	5,340	82,426	16,437
Compensation absences	2,248,798	1,461,879	1,567,968	2,142,709	277,233
Net pension liability	2,257,514	4,226,200	3,879,634	2,604,079	88,425
Total OPEB liability	16,612,786	4,640,945	10,254,822	10,998,909	277,595
Total	\$ 28,529,098	\$10,416,790	\$16,172,764	\$22,773,123	\$ 1,139,689

Note 17 - 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 2023:

Aggregate Pension Amounts - All Plans		
Net Pension Assets	\$	(1,851,856)
Pension Liabilities	\$	2,604,079
Deferred outflows of resources related to pensions	\$	3,586,642
Deferred inflows of resources related to pensions	\$	4,204,444
Pension Expense	\$	(186,221)

Department of Retirement Systems

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

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

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

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

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

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

The DRS prepares a stand-alone financial report that is compliant with the requirements of GASB Statement No. 67. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, WA 98504-8380 or online at <https://www.drs.wa.gov/wp-content/uploads/2021/06/2022-ACFR.pdf>.

Higher Education

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

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

PERS

Plan Description. The Legislature established 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 Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

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

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

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

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

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

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

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

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

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

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

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

TRS

Plan Description. The Legislature established the 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 Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

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

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

TRS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the 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 COLA amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

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

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

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

Contributions

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

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

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

	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rate at close of FY23	10.39%	10.39%	14.69%	14.69%
Actual Contributions	\$ 252,973	\$ 420,636	\$ 52,327	\$ 65,323

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

Actuarial Assumptions

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

Inflation	2.75%
Salary increases	3.25%
Investment rate of return	7.00%

Mortality rates were based on Society of Actuaries’ Pub. H-2010 Mortality rates, which vary by member status (that is...active, retiree, or survivor), as our base table. 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, 2021 valuation were based on the results of the *2013-2018 Demographic Experience Study Report* and the *2019 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report.

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20.00%	1.50%
Tangible Assets	7.00%	4.70%
Real Estate	18.00%	5.40%
Global Equity	32.00%	5.90%
Private Equity	23.00%	8.90%
Total	100%	

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

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

Discount rate

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

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

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

The following table presents the net pension liability of the College calculated using the discount rate of 7.00 percent, as well as what the College’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PERS 1	\$ 1,410,614	\$ 1,055,859	\$ 746,242
PERS 2/3	2,160,377	(1,834,511)	(5,116,565)
TRS 1	221,187	162,892	111,935
TRS 2/3	314,230	(17,345)	(286,910)

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

Pension Liabilities/(Assets). At June 30, 2023, the College reported a net pension liability of \$1,218,751 and a net pension asset of (\$1,851,856) for its proportionate share of the net pension liabilities/(assets) as follows:

	Liability/(Asset)
PERS 1	\$ 1,055,859
PERS 2/3	(1,834,511)
TRS 1	162,892
TRS 2/3	(17,345)

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

	<u>2021</u>	<u>2022</u>	<u>Change</u>
PERS 1	0.03670%	0.03792%	0.00122%
PERS 2/3	0.04710%	0.04946%	0.00237%
TRS 1	0.00836%	0.00857%	0.00020%
TRS 2/3	0.00836%	0.00881%	0.00045%

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

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

	<u>Pension Expense</u>	
PERS 1	\$	515,786
PERS 2/3		(660,041)
TRS 1		95,205
TRS 2/3		(5,563)
Total		<u>(54,614)</u>

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

	<u>PERS 1</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	174,987
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	252,973	-
Totals	<u>\$ 252,973</u>	<u>\$ 174,987</u>

	<u>PERS 2/3</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	454,549	41,529
Difference between expected and actual earnings of pension plan investments	-	1,356,268
Changes of assumptions	1,022,487	267,724
Changes in College's proportionate share of pension liabilities	14,108	178,359
Contributions subsequent to the measurement date	420,636	-
Totals	\$ 1,911,780	\$ 1,843,879

	<u>TRS 1</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	29,188
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	52,327	-
Totals	\$ 52,327	\$ 29,188

	<u>TRS 2/3</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	86,422	1,743
Difference between expected and actual earnings of pension plan investments	-	91,737
Changes of assumptions	97,713	10,627
Changes in College's proportionate share of pension liabilities	20,398	16,971
Contributions subsequent to the measurement date	65,323	-
Totals	\$ 269,855	\$ 121,078

The \$791,259 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2023.

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

Year ended June 30:	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2024	\$ (74,051)	\$ (472,447)	\$ (12,375)	\$ (18,126)
2025	(67,257)	(416,088)	(11,251)	(14,261)
2026	(84,372)	(474,625)	(14,151)	(22,378)
2027	50,693	598,643	8,589	51,480
2028	-	201,486	-	23,059
Thereafter	-	210,295	-	63,677
Total	\$ (174,987)	\$ (352,735)	\$ (29,188)	\$ 83,452

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, this plan has been reported under GASB 67/68 since FY21. Prior to that, the SRP was reported under GASB Statement No. 73.

Benefits Provided. The SRP provides retirement, disability, and death benefits to eligible members.

As of July 1, 2011, the SRP was 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 January 1, 2023, with the results rolled forward to the June 30, 2023 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases 3.50%-4.00%

Fixed Income and Variable Income Investment Returns* N/A

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

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

Most actuarial assumptions used in the January 1, 2023 valuation were based on the results of the August 2021 Higher Education SRP Experience Study. Additional assumptions related to salary growth were based on feedback from financial administrators of the Higher Education Supplemental Retirement Plans.

Material assumption changes. Changes in methods and assumptions that occurred between the measurement of the June 30, 2022 Net Pension Liability (NPL) and the June 30, 2023 NPL are as follows:

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

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

Contributions. Contribution rates for the SBRP Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) - which are based upon age - are 5%, 7.5%, or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2023 were each \$1,445,678.

Pension Expense. Pension Expense is the summation of a number of components, including benefits earned during the fiscal year and interest on the Total Pension Liability (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, 2023 was (\$131,607).

Plan Membership. Membership in the SRP 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.

<u>Number of Participating Members</u>				
<u>Plan</u>	<u>Inactive Members or Beneficiaries Currently Receiving Benefits</u>	<u>Inactive Members Entitled to But Not Yet Receiving Benefits</u>	<u>Active Members</u>	<u>Total Members</u>
SRP	21	15	101	137

Net Pension Liability/(Asset). The following table presents the change in net pension liability/(asset) of the SRP as of June 30, 2023:

Schedule of Development of Net Pension Liability	
Walla Walla Community College	
<i>(Dollars in Thousands)</i>	2023
Total Pension Liability	
Service Cost	50,468
Interest	182,214
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(146,449)
Changes in Assumptions	(290,007)
Benefit Payments	(76,482)
Change in Proportionate Share of NPL	(5,493)
Other	-
Net Change in Total Pension Liability	(285,749)
Total Pension Liability - Beginning	2,572,596
Total Pension Liability - Ending (a)	2,286,847
Plan Fiduciary Net Position	
Contributions - Employer	21,922
Contributions - Member	-
Net Investment Income	60,021
Benefit Payments	-
Administrative Expense	-
Other	(1)
Net Change in Plan Fiduciary Net Position	81,942
Fiduciary Net Position-Beginning	819,577
Fiduciary Net Position-Ending (b)	901,519
Net Pension Liability (Asset) -- Ending (a)-(b)	1,385,328

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

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$1,641,636	\$1,385,328	\$1,165,460

Deferred Outflows and Inflows of Resources Related to Pensions.

At June 30, 2023, the SRP 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	\$ 543,499	\$ 676,433
Changes of Assumptions	464,728	1,065,849
Changes in College's proportionate share of pension liability	55,403	227,155
Difference Between Projected and Actual Earnings on Plan Investments	36,075	65,874
Total	\$ 1,099,706	\$ 2,035,311

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

State Board Supplemental Retirement Plan	
2024	(262,646)
2025	(199,800)
2026	(173,429)
2027	(295,446)
2028	29,871
Thereafter	(34,147)

Note 18 - Other Post-Employment Benefits

Plan Description. Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the Health Care Authority (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 Other Post-Employment Benefits (OPEB) plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumptions used in valuations presented in this footnote assume that his substantive plan will be carried forward into the future.

The PEBB OPEB plan is funded on a pay-as-you-go basis. In the state Annual Comprehensive Financial Report (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, 2022**

Active Employees*	332
Retirees Receiving Benefits**	160
Retirees Not Receiving Benefits***	N/A
Total Active Employees and Retirees	<u>492</u>

*Reflects active employees eligible for PEBB program participation as of June 30, 2022.

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

*** HCA doesn't have data on this group and OSA doesn't have the methodology to reasonably estimate it. For fiscal year 2023, we have no options, but to report this amount as not available.

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

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

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

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

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

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

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

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to: <https://leg.wa.gov/studies-audits-and-reports/actuarial-reporting/other-postemployment-benefits-opeb/>

Total OPEB Liability

As of June 30, 2023, the state reported a total OPEB liability of \$4.248 billion. The College’s proportionate share of the total OPEB liability is \$10,998,909. This liability was determined based on a measurement date of June 30, 2022.

Actuarial Assumptions. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total

OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

*For additional detail on the health care trend rates, please see the Office of the State Actuary’s 2022 Public Employees’ Benefits Board Other Postemployment Benefits Actuarial Valuations Report.

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

Mortality rates were developed using the Society of Actuaries’ Pub.H-2010 mortality rates which vary by member status (e.g. active, retiree, or survivor) as the base table. The Office of the State Actuary applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under “generational” mortality, a member 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	6/30/2022
Actuarial Measurement Date	6/30/2022
Actuarial Cost Method	Entry Age
Amortization Method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset Valuation Method	N/A - No Assets

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

Explicit Medicare Subsidy	Subsidy amounts are calculated at subscriber level, based on benefit plan and enrollment tier selected, then summed over entire population to include Medicare retirees from the State, Higher Education, K-12 and Political Subdivision groups.
Implicit Medicare Subsidy	Subsidy amounts are calculated using the implicit subsidy rate* (difference between theoretical early retiree rates and composite rates** for non-Medicare risk pool) and the enrollment counts for early retirees
*early retirees assumed to be 58% more expensive the non-Medicare risk pool as a whole on a per adult unit basis.	
**calculated across non-Medicare risk pool for both self-insured and fully-insured plans using the PEBB Financial Projection Model (PFPM).	

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

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

Additional detail on assumptions and methods can be found on OSA’s website: <https://leg.wa.gov/studies-audits-and-reports/actuarial-reporting/other-postemployment-benefits-opeb/>

Changes in Total OPEB Liability

As of June 30, 2023, 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 (%)	0.2589037143%
Service Cost	\$ 811,384
Interest Cost	\$ 376,471
Differences Between Expected and Actual Experience	\$ (372,829)
Changes in Assumptions*	\$ (6,294,927)
Changes of Benefit Terms	\$ -
Benefit Payments	\$ (276,595)
Changes in Proportionate Share	\$ 142,621
Net Change in Total OPEB Liability	\$ (5,613,877)
Total OPEB Liability - Beginning	\$ 16,612,786
Total OPEB Liability - Ending	\$ 10,998,909

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

Discount Rate Sensitivity		
	Current	
1% Decrease	Discount Rate	1% Increase
\$ 12,888,036	\$ 10,998,909	\$ 9,478,780

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

Health Care Cost Trend Rate Sensitivity		
	Current	
1% Decrease	Discount Rate	1% Increase
\$ 9,312,601	\$ 10,998,909	\$ 13,156,257

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

For the year ending June 30, 2023, the College will recognize OPEB expense of (\$594,096). OPEB expense consists of the following elements:

Walla Walla Community College	
Proportionate Share (%)	0.2589037143%
Service Cost	\$ 811,384
Interest Cost	376,471
Amortization of Differences Between Expected and Actual Experience	6,630
Amortization of Changes in Assumptions	(1,193,338)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	(595,243)
Total OPEB Expense	\$ (594,096)

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

Walla Walla Community College		
Proportionate Share (%)	0.2589037143%	
Deferred Inflows/Outflows of Resources	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 229,287	\$ 386,999
Changes in assumptions	901,483	7,973,834
Transactions subsequent to the measurement date	277,595	-
Changes in proportion	137,913	3,318,538
Total Deferred Outflows/Inflows	\$ 1,546,278	\$ 11,679,371

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

Proportionate Share (%)	0.2589037143%
2024	\$ (1,781,951)
2025	\$ (1,781,951)
2026	\$ (1,781,954)
2027	\$ (1,468,165)
2028	\$ (1,013,572)
Thereafter	\$ (2,583,095)

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 (%) 2021	0.2566999454%
Proportionate Share (%) 2022	0.2589037143%
Total OPEB Liability - Ending 2021	\$ 16,612,785
Total OPEB Liability - Beginning 2022 (chg in prop)	16,755,406
Total OPEB Liability Change in Proportion	142,621
Total Deferred (Inflows)/Outflows - 2021	(1,459,887)
Total Deferred (Inflows)/Outflows - 2022 (chg in prop)	(1,472,418)
Total Deferred (Inflows)/Outflows Change in Proportion	(12,531)
Total Change in Proportion	\$ 155,152

Note 19 - Operating Expenses by Program

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

Expenses by Functional Classification		
Instruction	\$	16,853,191
Institutional Support		9,518,640
Academic Support Services		7,037,054
Operations and Maintenance of Plant		5,949,478
Scholarships and Other Student Financial Aid		5,928,313
Student Services		5,733,366
Auxiliary Enterprises		2,421,279
Depreciation and Amortization		2,295,481
Total operating expenses	\$	55,736,802

Note 20- Corrections of Prior Period Misstatements

The College identified three prior period misstatements that required adjustments to net position on the Statement of Revenues, Expenses, and Changes in Net Position.

Revenue Misstatement: The first misstatement arose from a system setup issue, leading to prior period reduction in revenue and a corresponding offset to accounts receivable in the amount of \$200,000.

Capital Purchase Prepayment: The second misstatement involved a prior-year prepayment for a capital purchase, which was incorrectly expensed as \$11,402. The related asset, acquired in FY 2023, has now been reclassified to the balance sheet.

Capital Expenditure Misclassification: The third misstatement was concerning a capital-in-process expenditure. Due to a system error, an amount of \$1,004,539 was incorrectly recorded in prior period financial statements. This amount pertains to a capital asset acquired in FY 2023. As a result of this error, the net position was understated, requiring an adjustment to the prior period's net position to reflect the correct financial position.

Note 21- Commitments and Contingencies

The College is engaged in various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of these actions will have a material adverse effect on the financial 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	0.037921%	\$ 1,055,859	\$ 6,211,970	17.00%	76.56%	
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	0.049460%	\$ (1,834,511)	\$ 6,211,970	-29.53%	106.73%
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	0.008565%	\$ 162,892	\$ 699,762	23.28%	78.24%
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	0.008814%	\$ (17,345)	\$ 699,762	-2.48%	100.86%	
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	\$ 252,973	\$ 252,973	\$ -	\$ 6,614,008	3.82%	

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Public Employees' 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	\$ 420,636	\$ 420,636	\$ -	\$ 6,614,008	6.36%	

*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	\$ 52,327	\$ 52,327	\$ -	\$ 811,451	6.45%	

*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	\$ 65,323	\$ 65,323	\$ -	\$ 811,451	8.05%	

*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, 2023								
<i>(expressed in thousands)</i>								
	2017	2018	2019	2020	2021	2022	2023	
Total Pension Liability								
Service Cost	\$ 152,751	\$ 107,327	\$ 77,544	\$ 95,045	\$ 115,429	\$ 38,433	\$ 50,468	
Interest	99,089	98,633	93,798	106,915	82,100	129,480	182,214	
Changes of benefit terms	-	-	-	-	-	-	-	
Differences between expected and actual experience	(714,434)	(291,720)	176,842	225,271	(740,725)	572,192	(146,449)	
Changes of assumptions	(168,626)	(98,779)	332,516	601,917	(1,336,868)	185,868	(290,007)	
Benefit Payments	(25,435)	(36,458)	(49,450)	(48,256)	(49,215)	(76,892)	(76,482)	
Change in Proportionate Share	-	(14,619)	(74,080)	(18,324)	(340,626)	28,947	(5,493)	
Other	-	-	-	-	2	4	-	
Net Change in Total Pension Liability	(656,655)	(235,616)	557,170	962,568	(2,269,903)	878,032	(285,749)	
Total Pension Liability - Beginning	3,337,000	2,680,345	2,444,729	3,001,899	3,964,467	1,694,564	2,572,596	
Total Pension Liability - Ending (a)	\$ 2,680,345	\$ 2,444,729	\$ 3,001,899	\$ 3,964,467	\$ 1,694,564	\$ 2,572,596	\$ 2,286,847	
Plan Fiduciary Net Position								
Contributions-Employer	n/a	n/a	n/a	n/a	\$ 16,207	\$ 21,244	\$ 21,922	
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	60,021	
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)	(1)	(1)	
Net Change in Plan Fiduciary Net Position					\$ 219,048	\$ 22,569	\$ 81,942	
Plan Fiduciary Net Position-Beginning					577,959	797,007	819,577	
Plan Fiduciary Net Position-Ending (b)					\$ 797,007	\$ 819,576	\$ 901,519	
Plan's Net Pension Liability (Asset) -- Ending (a)-(b)					\$ 897,557	\$ 1,753,020	\$ 1,385,328	
Fiduciary net position as a % of total pension liability (b)/(a)					47.03%	31.86%	39.42%	
Covered Payroll					\$ 15,683,194	\$ 17,990,247	\$ 16,940,744	
Net pension Liability as a % of covered payroll					5.72%	9.74%	8.18%	

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

	2021	2022	2023
Statutorily determined contributions	\$ 1,352,034	\$ 1,404,360	\$ 1,445,678
Actual contributions in relation to the above	1,352,034	\$ 1,404,360	\$ 1,445,678
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 15,683,192	17,990,247	16,940,744
Contribution as a % of covered payroll	8.62%	7.81%	8.53%

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

State Board Supplemental Defined Benefit Plans

Notes to Required Supplementary Information

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

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

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	2023	2022	2021	2020	2019	2018
Service cost	\$ 811,384	\$ 830,324	\$ 680,830	\$ 716,314	\$ 1,001,031	\$ 1,306,071
Interest cost	376,471	358,861	569,525	621,361	688,203	611,772
Difference between expected and actual experience	(372,829)	-	(87,274)	-	628,196	-
Changes in assumptions	(6,294,927)	153,325	369,178	1,157,138	(4,382,367)	(2,984,233)
Changes in benefit terms	-	-	-	-	-	-
Benefit payments	(276,595)	(273,402)	(271,159)	(284,235)	(290,663)	(311,769)
Changes in proportionate share	142,621	(863,037)	(1,965,163)	(530,676)	(898,738)	(495,146)
Other	-	-	(580,103)	-	-	-
Net Changes in Total OPEB Liability	\$ (5,613,877)	\$ 206,071	\$ (1,284,166)	\$ 1,679,902	\$ (3,254,338)	\$ (1,873,305)
Total OPEB Liability - Beginning	\$ 16,612,786	\$ 16,406,715	\$ 17,690,881	\$ 16,010,979	\$ 19,265,317	\$ 21,138,622
Total OPEB Liability - Ending	\$ 10,998,909	\$ 16,612,786	\$ 16,406,715	\$ 17,690,881	\$ 16,010,979	\$ 19,265,317
College's proportion of the Total OPEB Liability (%)	0.25890371%	0.25669995%	0.27095279%	0.30481236%	0.31526156%	0.33068837%
Covered-employee payroll	\$ 24,514,755	\$ 24,859,293	\$ 22,064,312	\$ 23,568,145	\$ 24,940,128	\$ 22,019,108
Total OPEB Liability as a percentage of covered-employee payroll	44.866486%	66.827266%	74.358606%	75.062678%	64.197661%	87.493630%

*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.