

2024 Annual Financial Report

Fiscal Year Ended June 30, 2024



Walla Walla
Community College

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

Independent Auditor's Report

Board of Trustees
Walla Walla Community College
Walla Walla, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component unit of Walla Walla Community College (the College), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 23, 2026.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified one deficiency in internal control, described in the accompanying Schedule of Findings and Responses, as item 2024-001 that we consider to be to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The College's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the findings identified in our audit and described in the previously. The College's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Davis Furr LLP

Irvine, California
March 23, 2026

WALLA WALLA COMMUNITY COLLEGE

Schedule of Findings and Responses

For the Year Ending June 30, 2024

2024-001: Untimely Bank Reconciliation

Due to limitations surrounding the CTCLink implementation, the College fell behind on completing its monthly bank reconciliations. For the fiscal year ended June 30, 2024 the College did not complete its monthly bank reconciliations in a timely manner. Failure to perform timely bank reconciliations increases the risk of undetected errors, misstatements, and potentially fraudulent activity, which may compromise the accuracy and reliability of the College's financial records.

Recommendation

While the College has completed all its bank reconciliations through June 30, 2024 as of the date of this opinion, we recommend that the College catch up on its remaining bank reconciliations. Additionally, we recommend the College develop policies and procedures to ensure that going forward bank reconciliations are carried out in a timely manner.

Management's Response Regarding Corrective Action Taken or Planned

Business Services is in the process of updating outdated policies and procedures to align with current processes and approval requirements. Our goal is to complete all monthly reconciliations through June 2025 by May 2026, in preparation for the start of the FY 2025 audit.

Remaining bank reconciliations will be addressed at a rate of at least two per month until we are fully caught up by March 2027. At that point, monthly reconciliations will be performed on a regular basis and submitted to management for review and approval.

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), as of and for the year June 30, 2024, 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, 2024, 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, an agency 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, 2024, 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.

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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the financial statements. The other information 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 March 23, 2026, on our consideration of the College’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College’s internal control over financial reporting and compliance.

Davis Furr LLP

Irvine, California
March 23, 2026

2024 Financial Report

Walla Walla Community College July 1, 2023 through June 30, 2024

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

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Walla Walla Community College

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Walla Walla, WA 99362

(509) 394-6408

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

For information about enrollment and degrees awarded contact:

Walla Walla Community College

Vice President of Planning, Effectiveness & Economic Development

500 Tausick Way

Walla Walla, WA 99362

(509) 527-3685

For information about academic programs contact:

Walla Walla Community College

Vice President of Instruction

500 Tausick Way

Walla Walla, WA 99362

(509) 527-4290

Trustees and Governance Officers

BOARD OF TRUSTEES

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Tara Leer, Vice Chair
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Colleen Vandenboom, Vice President of Student Services
Nick Velluzzi, Vice President of Planning, Effectiveness & Economic Development

COLLEGE COUNCIL

Budget Council – Lori Peterson
Classified Staff Council – David Johnson and Ken Hodgen
Corrections Education Council – Ricardo Chavez and Lauran Schaefer
Data Council – Erika Bockmann (Council Chair-elect)
Connection and Belonging Council – Allen Sutton
Educational Leadership Council – Christy Doyle (Council Chair)
Faculty Senate – Marley Olson and Karlee Pruitt Larkin
Institutional Effectiveness Council – Joshua Slepín
Strategic Enrollment Leadership Council – Lisa Chamberlin
Student Government Council – Aletheia Cole (Clk)
Student Services Leadership Council – Chad Miltenberger (Council Past-chair)
Angela Evensen (Administrative Support/Ex-officio)
Chad Hickox – President (ELT Liaison/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, 2024 (FY 2024). 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 6,458 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, 2024. 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 | | |
| | 2024 | 2023 |
| Assets | | |
| Current Assets | \$ 22,936,452 | \$ 23,449,908 |
| Capital Assets, net | 61,489,426 | 62,692,706 |
| Other Assets, non-current | 1,966,627 | 2,643,757 |
| Total Assets | 86,392,505 | 88,786,371 |
| Deferred Outflows of Resources | 4,794,249 | 5,132,920 |
| Liabilities | | |
| Current Liabilities | 4,105,297 | 3,742,407 |
| Other Liabilities, non-current | 20,954,241 | 21,633,435 |
| Total Liabilities | 25,059,538 | 25,375,841 |
| Deferred Inflows of Resources | 13,422,418 | 16,766,917 |
| Net Position | | |
| Net Investment in Capital Assets | 54,958,437 | 55,665,280 |
| Restricted | 3,522,577 | 2,618,945 |
| Unrestricted | (5,776,216) | (6,507,692) |
| Total Net Position, as restated | \$ 52,704,798 | \$ 51,776,533 |

Current assets consist primarily of cash, investments in the Washington State Local Government Investment Pool (LGIP), various accounts receivable, and inventories. Current assets decreased by \$513,456 over FY 2024. Accounts receivable increased \$1.5 million while cash and cash equivalents were down \$1.6 million over FY 2024. 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 decreased by \$1.3 million from FY 2023 to FY 2024 while non-depreciable assets increased by \$84,574. The decrease in capital assets, net of depreciation, is primarily attributable to a significant asset placed into service during the prior fiscal year,

which incurred partial-year depreciation in that year and a full year of depreciation in the current fiscal year.

Other non-current assets decreased by \$677,130 over FY 2023. The decrease is primarily attributable to the reversal of a long-term lease receivable, net of allowances, originally recorded in fiscal year 2023, which was subsequently determined not to meet the criteria for lease accounting. The amount reversed was \$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 decrease in deferred outflows reflect the College's proportionate share of a decrease in the state-wide amounts reported by the Department of Retirement System (DRS) and Health Care Authority (HCA) due to differences between expected and actual experience related to the actuarial assumptions. The College recorded \$5.1 million in FY 2023 and \$4.8 million in FY 2024 of pension and postemployment-related deferred outflows. This decrease in deferred outflows reflects the change in proportionate share.

Similarly, the decrease in deferred inflows in FY 2024 reflects the decrease in difference between actual and projected investment earnings on the state's pension plans and other post-employment benefits. The College recorded \$15.9 million in FY 2023 and \$13.4 million in FY 2024 of pension and postemployment-related deferred inflows. Deferred inflows also decreased by \$883,102 due to the reversal of GASB 87 Leases in FY 2024.

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 \$362,890 year over year was largely due to a state allocation reclassification which resulted in an unpaid payable as of FY 2024 year-end.

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 \$48,907.

Non-current liabilities decreased \$679,194 and is primarily the result of a shift from non-current to current Certificates of Participation balances in the amount of \$400,000. Other changes to non-current liabilities include an increase to compensated absences in the amount of \$99,997 in FY 2024 and a decrease to net pension and OPEB liabilities totaling \$362,108.

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.

| Net Position | 2024 | 2023 |
|----------------------------------|----------------------|----------------------|
| As of June 30th | | |
| Net investment in capital assets | \$54,958,437 | \$55,665,280 |
| Restricted | | |
| Non expendable | 21,297 | 6,560 |
| Pension plan assets | 2,920,515 | 2,068,534 |
| Institutional financial aid | 580,127 | 543,852 |
| Expendable | 638 | - |
| Unrestricted (deficit) | (5,776,216) | (6,507,692) |
| Total Net Position | \$ 52,704,798 | \$ 51,776,533 |

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 2024. 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, 2024 and 2023 is presented below.

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

| Operating Revenues | 2024 | 2023 |
|---|----------------------|----------------------|
| Student tuition and fees, net | \$ 7,229,464 | \$ 5,950,846 |
| Auxiliary enterprise sales | 781,966 | 873,544 |
| Grants and contracts | 20,281,064 | 20,431,029 |
| Other operating revenues | 644,307 | 934,781 |
| Total operating revenues | 28,936,801 | 28,190,200 |
| Non-Operating Revenues | | |
| State appropriations | 25,880,936 | 23,469,214 |
| Federal Pell grant revenue | 6,391,496 | 7,603,886 |
| Other non-operating revenues | 436,035 | 442,974 |
| Total non-operating revenues | 32,708,467 | 31,516,074 |
| Total revenues | 61,645,268 | 59,706,274 |
| Operating Expenses | | |
| Salaries and Benefits | 37,178,400 | 33,815,641 |
| Scholarships | 7,684,563 | 5,928,313 |
| Depreciation | 2,459,574 | 2,295,481 |
| Other operating expenses | 13,222,241 | 13,697,367 |
| Total operating expenses | 60,544,778 | 55,736,802 |
| Non-Operating Expenses | | |
| Building fee remittance | 962,956 | 873,268 |
| Other non-operating expenses | 491,200 | 696,728 |
| Total non-operating expenses | 1,454,156 | 1,569,996 |
| Total expenses | 61,998,934 | 57,306,798 |
| Excess (deficiency) before capital contributions | (353,666) | 2,399,476 |
| Capital appropriations and contributions | 1,281,931 | 4,635,651 |
| Change in Net position | 928,265 | 7,035,128 |
| Net Position | | |
| Net position, beginning of year | 51,776,533 | 45,534,543 |
| Prior period adjustments or Cumulative effect of a change in accounting principle | - | (793,137) |
| Net position, beginning of year, as restated | 51,776,533 | 44,741,406 |
| Net position, end of year | \$ 52,704,798 | \$ 51,776,533 |

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.

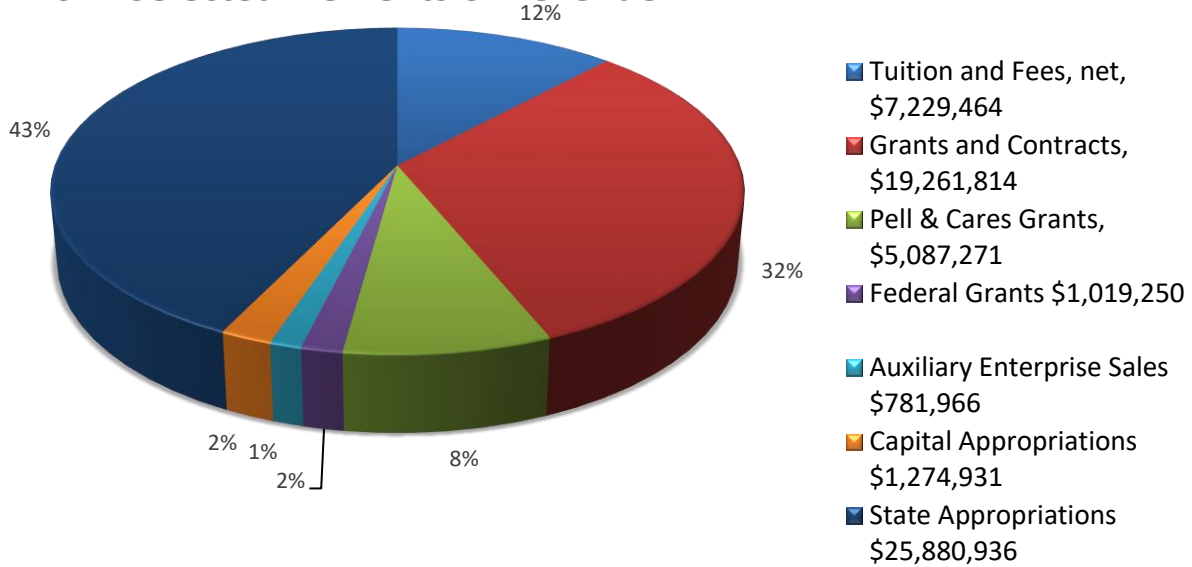
In FY 2024, the College's tuition and fee revenue increased by \$1.3 million year over year and is primarily attributable to increased enrollment.

Pell grant revenues generally follow enrollment trends. As the College's enrollment grew during FY 2024, so did the College's Pell Grant revenue. For FY 2024, 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.

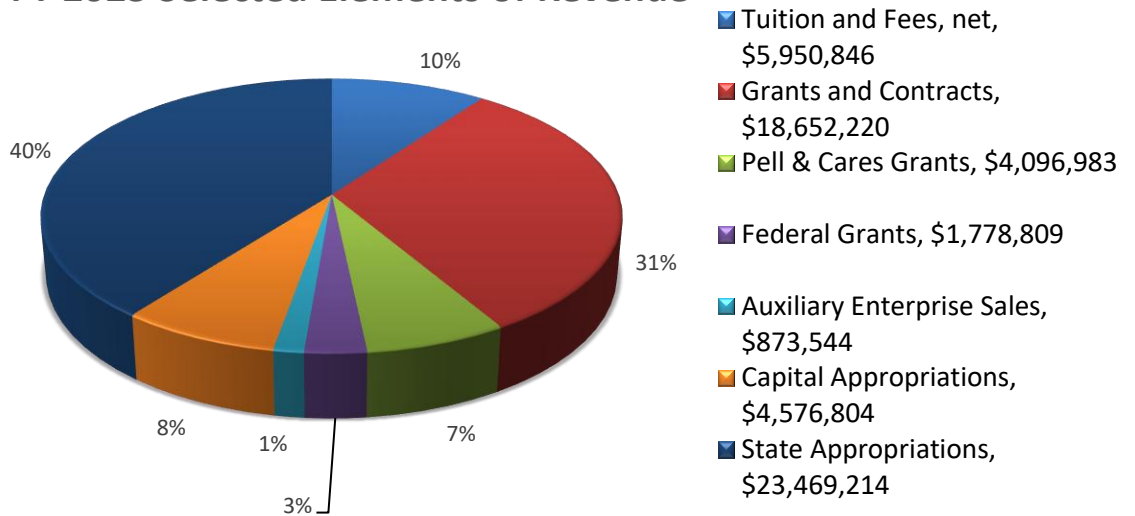
In FY 2024, grant and contract revenues decreased by \$149,966 when compared with FY 2023. The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses.

The College 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.

FY 2024 Selected Elements of Revenue



FY 2023 Selected Elements of Revenue



Expenses

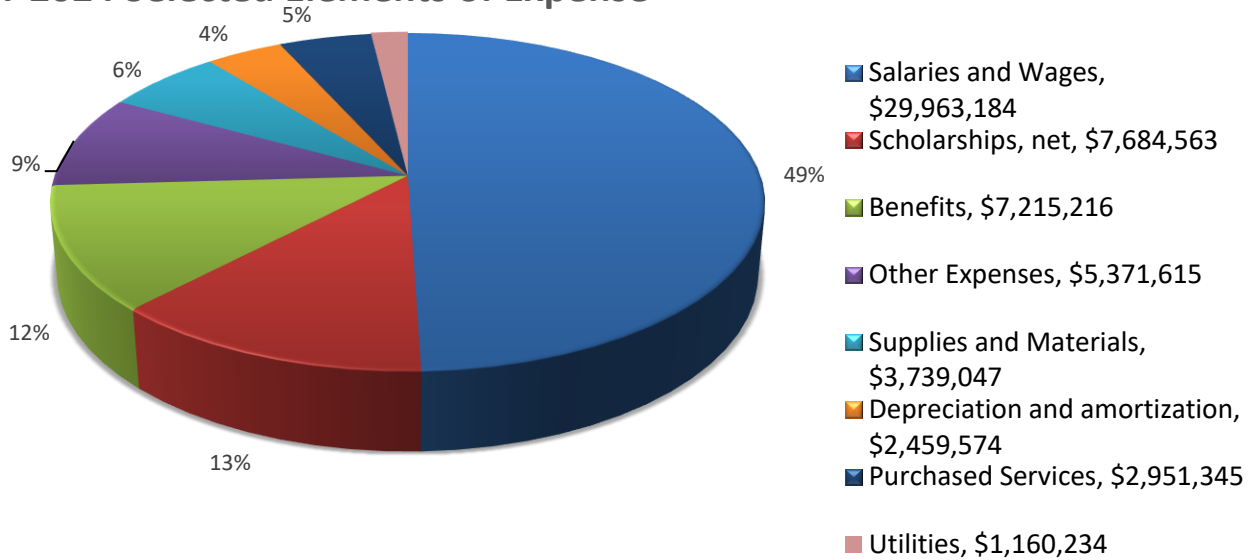
The \$3.4 million increase in salary and benefits from FY 2023 to FY 2024 reflects annual Cost of Living Adjustments for faculty and classified staff, as well as higher year-over-year stipend payouts, while overall headcount remained relatively unchanged.

Supplies, materials and purchased services decreased \$1.3 million from FY 2023 while non-capitalized computers, hardware, software, and maintenance increased by \$1.4 million. Certain capital project costs do not meet accounting criteria for capitalization and are instead recognized as either supplies and materials, purchased services or non-capitalized costs. These fluctuations are to be expected. As the science building became operational in mid-FY 2023, the College began recognizing depreciation at that time. FY 2024 reflects a full year of depreciation for this asset, resulting in an overall increase in depreciation expense. The \$164,093 increase is largely attributable to this change.

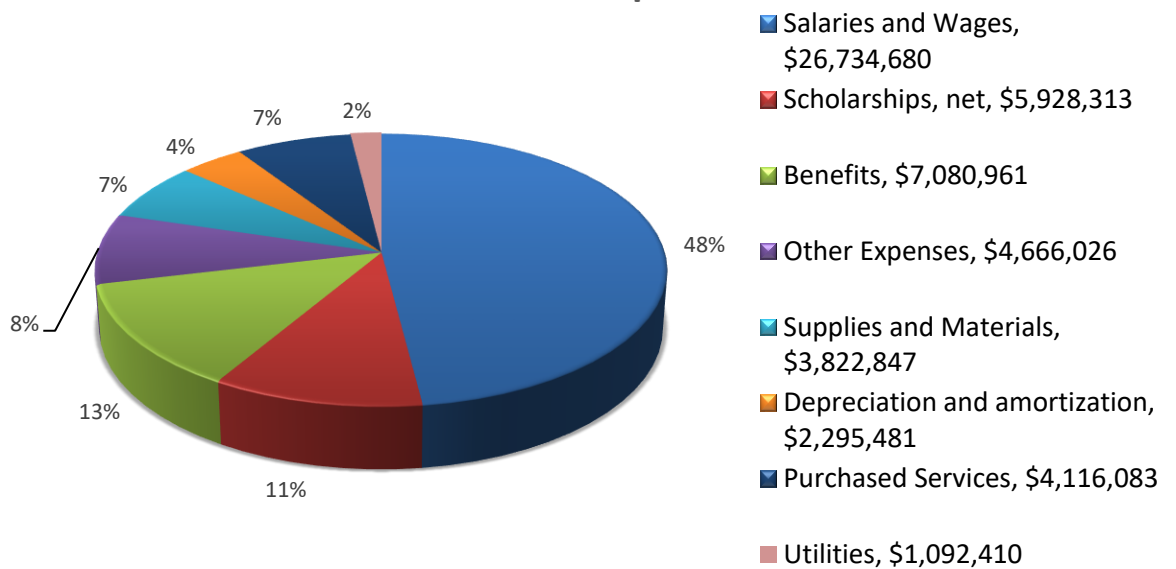
Comparison of Selected Operating Expenses by Function

The following charts shows the amount, in dollars, for selected elements of operating expenses for FY 2024 and FY 2023.

FY 2024 Selected Elements of Expense

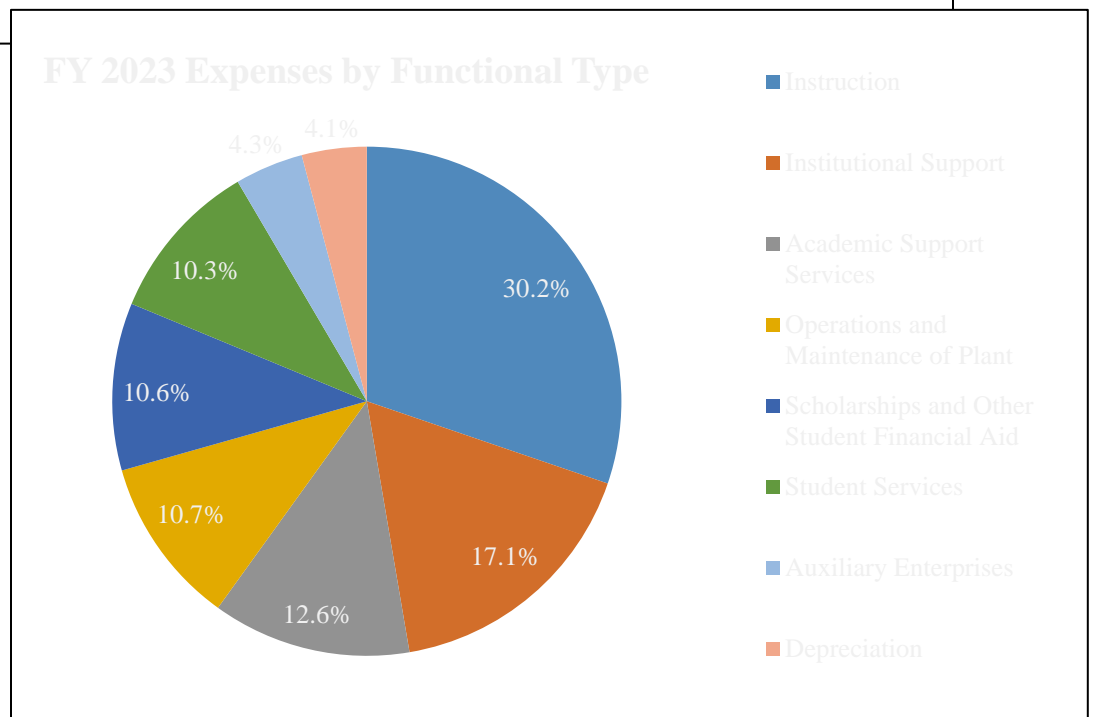
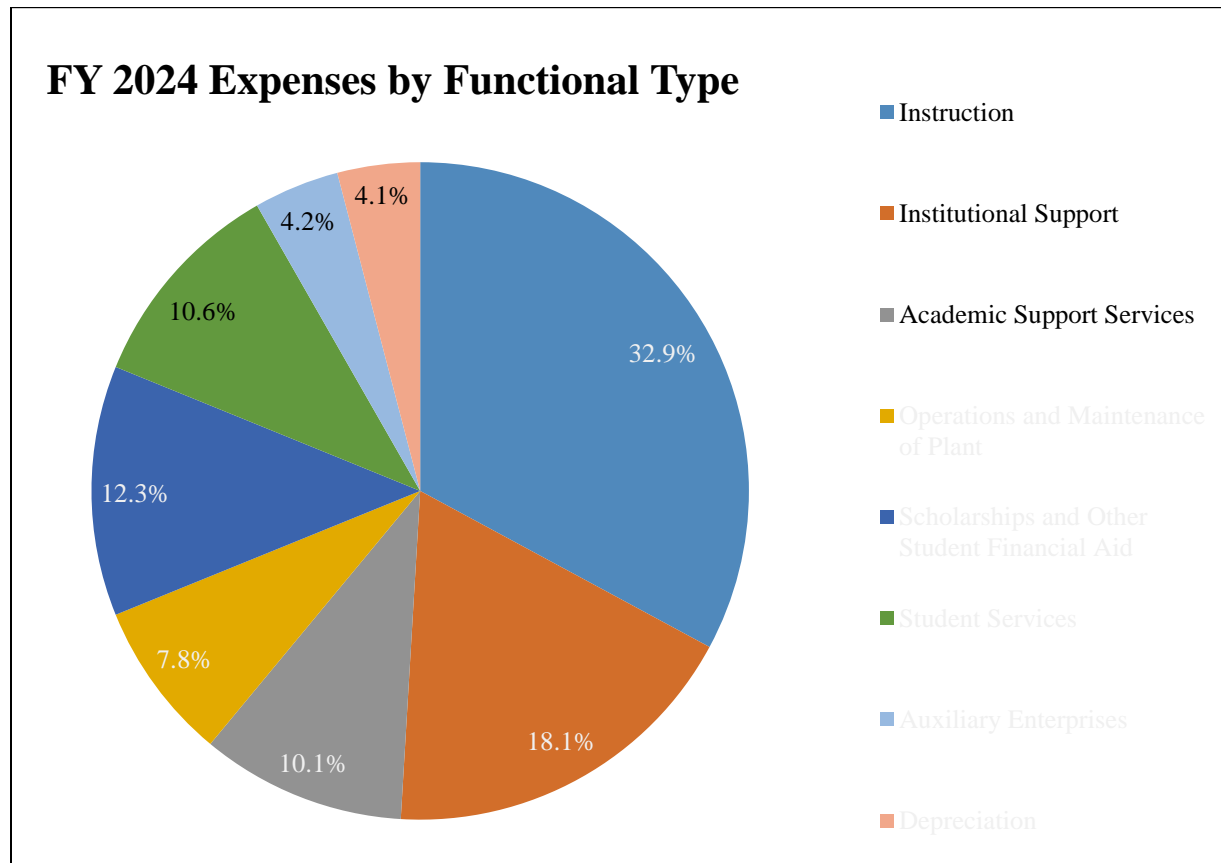


FY 2023 Selected Elements of Expense



Operating Expenses by Function

The charts below show the percentage of each functional area of operating expenses for FY 2024 and FY 2023.



Capital Assets and Long-Term Debt Activities

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

At June 30, 2024, the College had invested \$61.4 million in capital assets, net of accumulated depreciation. This represents a decrease of \$1.2 million from last year, as shown in the table below.

| Asset Type | June 30, 2024 | June 30, 2023 | Change |
|--|----------------------|----------------------|-----------------------|
| Land | \$ 2,553,379 | \$ 2,553,379 | \$ - |
| Construction in Progress | 98,224 | 13,650 | 84,574 |
| Buildings, net | 55,480,817 | 57,149,184 | (1,668,367) |
| Other Improvements and Infrastructure, net | 130,898 | 142,929 | (12,031) |
| Equipment, net | 3,041,923 | 2,649,363 | 392,560 |
| Library Resources, net | 119,824 | 109,435 | 10,389 |
| Total Capital Assets, Net | \$ 61,425,065 | \$ 62,617,940 | \$ (1,192,875) |

The decrease in net capital assets can be attributed to a \$1.7 million decrease in Building and Construction in Progress costs and a \$392,560 increase in equipment costs. Additional information on capital assets can be found in Note 6 of the Notes to the Financial Statements.

Right to use leased assets are also part of the capital assets. Right to use lease assets decreased due to amortization recorded in FY 2024 for \$17,553. The amounts in the table below are reported net of accumulated amortization.

| Asset Type | June 30, 2024 | June 30, 2023 | Change |
|---|------------------|------------------|--------------------|
| Leased Equipment, net | \$ 64,362 | \$ 81,915 | \$ (17,553) |
| Total Right to Use Assets, net of amort. | \$ 64,362 | \$ 81,915 | \$ (17,553) |

At June 30, 2024, the College had \$6.5 million in outstanding debt. This represents a decrease of \$496,437 from last year, as shown in the table below. The college has capital leases for implemented GASB 87 for lease liabilities outstanding and have recorded a right to use lease liability for the leased copier.

| | June 30, 2024 | June 30, 2023 | Change |
|--------------------------------|---------------------|---------------------|---------------------|
| Certificates of Participation | \$ 6,465,000 | \$ 6,945,000 | \$ (480,000) |
| Right to Use Lease Liabilities | 65,989 | 82,426 | (16,437) |
| Total | \$ 6,530,989 | \$ 7,027,426 | \$ (496,437) |

Additional information regarding leases payable, notes payable, debt services and long-term debt schedules can be found in Notes 11, 12, 13 and 14 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

The college system, led by a system task force with membership of presidents and key administrators, is in the process of examining the current allocation method by which the legislative appropriation is separated out to each individual college district. The work is slated to complete in Calendar Year 2025, with any new actions or changes not being implemented until the 2027-29 biennium. While there are a number of proposals on ways to modify the allocation model, so far, no firm decisions have been made.

The State Board for Community and Technical Colleges currently 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 an increase in enrollment, it is estimated that the College will likely see an increase in state operating appropriations in future years.

For the 2023-25 fiscal biennium, the legislature increased the overall appropriation for the community college system by a very significant amount. The total appropriation for the new biennium went up by over \$400 million dollars. However, much of this funding was earmarked for mandatory cost increases and for non-discretionary program expansions. Funding from the previously passed Workforce Education Investment Act (E2SHB 2158) continued and expanded into Fiscal Years 2024 and 2025. The September 2024 tax revenue forecasts for the 2025-27 biennium predict less growth of tax revenue than previously anticipated, and this may have negative impact on legislative appropriations to all state agencies including higher education institutions.

Washington's personal income growth, which is the main factor in calculating future tuition is slightly lower than the national average in the first quarter of 2024, but is forecasted to be faster in growth from 2025 – 2029. 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, 2024

Assets

Current assets

| | | |
|---|----|-------------------|
| Cash and cash equivalents (Note 3) | \$ | 8,202,078 |
| Restricted cash (Note 3) | | 310,058 |
| Accounts receivable, net of allowances (Note 4) | | 14,170,061 |
| Inventories (Note 5) | | 254,255 |
| Total current assets | | 22,936,452 |

Non-Current Assets

| | | |
|--|--|-------------------|
| Non-depreciable capital assets (Note 6) | | 2,651,603 |
| Capital assets, net of depreciation (Note 6) | | 58,773,462 |
| Leased assets, net of amortization (Note 6) | | 64,362 |
| Net pension asset (Note 15) | | 1,966,627 |
| Total non-current assets | | 63,456,054 |
| Total assets | | 86,392,506 |

Deferred Outflows of Resources

| | | |
|---|--|------------------|
| Deferred outflows related to pensions (Note 15) | | 3,526,304 |
| Deferred outflows related to OPEB (Note 16) | | 1,267,945 |
| Total deferred outflows of resources | | 4,794,249 |

Liabilities

Current Liabilities

| | | |
|---|--|------------------|
| Accounts payable (Note 7) | | 1,069,123 |
| Accrued liabilities (Note 7) | | 1,491,056 |
| Compensated absences, current portion (Note 10,14) | | 270,118 |
| Unearned revenue (Note 8) | | 495,110 |
| Leases & Certificates of participation payable, current portion (Note 11, 12, 13, 14) | | 417,083 |
| Net pension liability, current portion (Note 14, 15) | | 88,425 |
| Total OPEB liability, current portion (Note 14, 16) | | 274,382 |
| Total current liabilities | | 4,105,297 |

Non-Current Liabilities

| | | |
|--|--|-------------------|
| Compensated absences (Note 10, 14) | | 1,965,474 |
| Leases & Certificates of participation (and loans if applicable) (Note 11, 12, 13, 14) | | 6,113,907 |
| Net pension liability, non-current (Note 14, 15) | | 2,260,583 |
| Total OPEB liability, non-current (Note 14, 16) | | 10,614,278 |
| Total non-current liabilities | | 20,954,242 |
| Total liabilities | | 25,059,539 |

Deferred Inflows of Resources

| | | |
|--|--|-------------------|
| Deferred inflows related to pensions (Note 15) | | 3,254,415 |
| Deferred inflows related to OPEB (Note 16) | | 10,168,002 |
| Total deferred inflows of resources | | 13,422,418 |

Net Position

| | | |
|----------------------------------|--|----------------------|
| Net Investment in Capital Assets | | 54,958,437 |
| Restricted for: | | |
| Nonexpendable | | 21,297 |
| Pension Plan Assets | | 2,920,515 |
| Institutional Financial Aid | | 580,127 |
| Expendable | | 638 |
| Unrestricted (deficit) | | (5,776,216) |
| Total Net Position | | \$ 52,704,798 |

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, 2024

| | |
|---|----------------------|
| Operating Revenues | |
| Student tuition and fees, net of scholarship discounts and allowances | \$ 7,229,464 |
| Auxiliary enterprise sales | 781,966 |
| State and local grants and contracts | 19,261,814 |
| Federal grants and contracts | 1,019,250 |
| Other operating revenues | 644,307 |
| | <u>28,936,801</u> |
| Total operating revenue | |
| Operating Expenses | |
| Salaries and wages | 29,963,184 |
| Benefits | 7,215,216 |
| Scholarships and fellowships | 7,684,563 |
| Supplies and materials | 3,739,047 |
| Depreciation and amortization | 2,459,574 |
| Purchased services | 2,951,345 |
| Utilities | 1,160,234 |
| Non-capitalized computers/hardware & software maintenance | 2,422,946 |
| Other operating expenses | 2,948,669 |
| | <u>60,544,778</u> |
| Total operating expenses | |
| | <u>(31,607,977)</u> |
| Operating income (loss) | |
| Non-Operating Revenues (Expenses) | |
| State appropriations | 25,880,936 |
| Federal Pell grant revenue | 5,087,271 |
| Federal non-operating revenue | 1,304,225 |
| Investment income, gains (losses) | 436,035 |
| Building fee remittance | (962,956) |
| Innovation fund remittance | (127,257) |
| Interest on indebtedness | (363,943) |
| | <u>31,254,311</u> |
| Net non-operating revenue (expenses) | |
| Income or (loss) before other revenues, expenses, gains, or losses | (353,666) |
| Capital Contributions | |
| Capital appropriations | 1,274,931 |
| Capital gifts | 7,000 |
| | <u>928,265</u> |
| Increase (Decrease) in net position | |
| Net Position | |
| Net position, beginning of year | 51,776,533 |
| | <u>52,704,798</u> |
| Net position, end of year | <u>\$ 52,704,798</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, 2024

| | |
|---|-----------------------------------|
| Cash flows from operating activities | |
| Student tuition and fees | \$ 7,098,404 |
| Grants and contracts | 18,552,065 |
| Auxiliary enterprise sales | 656,901 |
| Payments to vendors | (6,011,310) |
| Payments for utilities | (1,175,382) |
| Payments to employees | (30,244,253) |
| Payments for benefits | (9,790,701) |
| Payments for scholarships and fellowships | (7,684,563) |
| Other receipts | 1,176,051 |
| Other payments | (5,331,025) |
| Net cash used by operating activities | <u>(32,753,813)</u> |
| Cash flows from noncapital financing activities | |
| State appropriations | 25,536,737 |
| Pell grants | 5,087,271 |
| Other Federal non-operating revenue | 1,304,225 |
| Building fee remittance | (314,878) |
| Innovation fund remittance | (127,257) |
| Net cash provided by noncapital financing activities | <u>31,486,098</u> |
| Cash flows from capital and related financing activities | |
| Capital appropriations | 1,274,931 |
| Purchases of capital assets | (1,261,848) |
| Principal paid on capital debt and leases | (480,000) |
| Interest paid on capital debt and leases | (363,943) |
| Net cash used by capital and related financing activities | <u>(830,860)</u> |
| Cash flows from investing activities | |
| Income of investments | 436,035 |
| Net cash provided by investing activities | <u>436,035</u> |
| Increase(decrease) in cash and cash equivalents | (1,662,540) |
| Cash and cash equivalents at the beginning of the year | <u>10,174,676</u> |
| Cash and cash equivalents at the end of the year | <u><u>\$ 8,512,136</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, 2024

Reconciliation of Operating Loss to Net Cash used by Operating Activities

| | |
|-----------------------|------------------------|
| Operating Loss | \$ (31,607,977) |
|-----------------------|------------------------|

Adjustments to reconcile net loss to net cash used by operating activities

| | |
|---------------------------------------|-----------|
| Depreciation and amortization expense | 2,459,574 |
|---------------------------------------|-----------|

Changes in assets and liabilities

| | |
|------------------------------|-------------|
| Receivables, net | (1,111,966) |
| Inventories | 171,408 |
| Other assets | 40,591 |
| Accounts payable | 268,267 |
| Accrued liabilities | (122,361) |
| Unearned revenue | (341,413) |
| Compensated absences | 92,882 |
| Pension liability adjustment | (2,602,818) |

| | |
|--|------------------------|
| Net cash used by operating activities | \$ (32,753,813) |
|--|------------------------|

Noncash Capital, Financing, and Investing Activities

| | |
|---------------------------------------|-------|
| Capital assets acquired through gifts | 7,000 |
|---------------------------------------|-------|

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

**Walla Walla Community College Foundation and Subsidiary
Consolidated Statements of Financial Position
December 31, 2023**

Assets

Current assets

| | |
|-----------------------------------|-----------------------------|
| Cash and cash equivalents | \$ 2,642,715 |
| Investments | 24,758,134 |
| Assets held for resale | 19,124 |
| Prepaid expenses and other assets | 532,576 |
| Note Receivable, Current | 574,023 |
| Total current assets | <u>\$ 28,526,572</u> |

Property and equipment, net of accumulated depreciation

1,146,037

Total assets

\$ 29,672,609

Liabilities and net assets

Current liabilities

| | |
|--------------------------|----------------------------|
| Accounts payable | \$ 1,454,200 |
| Accrued liabilities | 4,802 |
| Total liabilities | <u>\$ 1,459,002</u> |

Net assets

| | |
|-----------------------------------|-----------------------------|
| Unrestricted net assets | \$ 17,111,898 |
| Temporarily restricted net assets | 11,101,709 |
| Total net assets | <u>\$ 28,213,607</u> |

Total liabilities and net assets

\$ 29,672,609

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, 2023**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Totals</u> |
|---|---------------------------------------|------------------------------------|-----------------------------|
| Revenue | | | |
| Contributions and Grants | \$ 118,879 | \$ 1,106,157 | \$ 1,225,036 |
| Net Investment Income (loss) | 1,919,234 | 1,131,960 | 3,051,194 |
| In-Kind Goods and Services | 5,816 | - | 5,816 |
| Lease Income | 65,640 | - | 65,640 |
| Gain on Sale of Capital Asset | 1,495 | - | 1,495 |
| Warrior Club | 8,315 | - | 8,315 |
| Interest income | 28,980 | - | 28,980 |
| Wine Operations | | | |
| Retail Sales | 268,979 | - | 268,979 |
| Net Assets Released From Restrictions | <u>1,240,383</u> | <u>(1,240,383)</u> | <u>-</u> |
| Total Public Support, Revenue and Reclassifications | <u>\$ 3,657,721</u> | <u>\$ 997,734</u> | <u>\$ 4,655,455</u> |
| Expenses | | | |
| Program | \$ 2,133,546 | \$ - | \$ 2,133,546 |
| Management and General | 331,204 | - | 331,204 |
| Fundraising | 90,789 | - | 90,789 |
| Total Expenses | <u>\$ 2,555,539</u> | <u>\$ -</u> | <u>\$ 2,555,539</u> |
| Change in Net Assets Before Other Expenses and Equity Transfer | <u>\$ 1,102,182</u> | <u>\$ 997,734</u> | <u>\$ 2,099,916</u> |
| Non Operating Income (loss) | | | |
| Loss on Deconsolidation | (160,539) | - | (160,539) |
| Equity Transfer - Donated Services from Affiliate | <u>248,130</u> | <u>-</u> | <u>248,130</u> |
| Changes in Net Assets | 1,189,773 | 997,734 | 2,187,507 |
| Net assets - beginning of year | 15,922,125 | 10,103,975 | 26,026,100 |
| Net assets - end of year | <u>\$ 17,111,898</u> | <u>\$ 11,101,709</u> | <u>\$ 28,213,607</u> |

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

Notes to 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. 14, 39 and 61. 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, 2024, the Foundation distributed approximately \$2,139,177 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, cash equivalents, and investments include cash on hand, bank demand deposits, and deposits with the 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.

Leases Receivable

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

Inventories

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. Merchandise inventories consist of wine produced by the Enology and Viticulture program and merchandise held for resale, both of which are sold through the winery. 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 deposits on equipment.

Capital Assets

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

Land, buildings and equipment are recorded at cost, or if acquired by gift, at acquisition value at the date of the gift. GASB 34 guidance concerning preparing initial estimates for historical cost and accumulated depreciation related to infrastructure was followed. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, excluding intangible right-to-use lease assets and subscription-based IT agreement assets. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

In accordance with the state capitalization policy:

- Land, including land use rights with indefinite lives acquired with the purchase of the underlying land, and ancillary costs are capitalized
- Infrastructure with a cost of \$100,000 or more is capitalized and depreciated over 20-50 years
- Building, building improvements, improvements other than building and leasehold improvements with a cost of \$100,000 or more are capitalized and depreciated over 5-50 years
- Intangible assets (excluding intangible right-to-use lease assets and subscription-based IT arrangements), either purchased or internally developed, with a cost of \$1 million or more that are identifiable by meeting one of the following conditions:

- The asset is capable of being separated or divided and sold, transferred, licensed, rented, or exchanged.
- The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable.
- Lease assets with total payments over the lease term of \$500,000 or more are capitalized and amortized over the life of the lease
- Subscription-based IT arrangements with total payments over the term of the arrangement with total payments of \$1 million or more are capitalized and amortized over the term of the agreement
- All capital assets acquired with Certificates of Participation, are capitalized and depreciated based on the category of asset
- All other capital assets with a unit cost (including ancillary costs) of \$5,000 or greater, or collections with a total cost of \$5,000 or greater are capitalized and depreciated over 3-50 years depending on specific category of asset

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 in a systematic and rational manner 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.

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, 2024, no assets had been written down.

Unearned Revenues

Unearned revenues occur when funds have been collected prior to the end of the fiscal year that are related to the subsequent fiscal year. Unearned revenues include tuition and fees paid with financial aid funds. The College has recorded summer and fall quarter of 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 consists of endowment and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to the principle.
 - *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 \$2,920,515.

- *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 2024, 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, 2024 are \$3,984,976.

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 SBCTC'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 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 June 2022, GASB issued GASB Statement No. 100, Accounting Changes and Error Corrections, which prescribes the accounting and reporting for each type of accounting change and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

In FY 2024, the college changed the way the SBRP is reported in the financial statements. Previously, the measurement date and reporting date were the same but there is now a one-year lag between measurement and reporting date which causes an increase in deferred outflows of \$116,994 for the contributions made subsequent to measurement date. Both methods are allowed under GASB 68. This change is necessary to allow the actuaries sufficient time to gather information for the net pension liability calculations. This change does not alter the methodology for the calculations, it only alters the reporting timeline. The previous reporting timeline required that periodically estimates had to be made for returns on investments and this new timeline will allow final investment activity to be utilized. Net Pension Liabilities, Deferred Inflows, and pension expense will be reported for FY 2024 as the same values reported in FY 2023. Deferred outflows will now include contributions and payments made subsequent to the measurement date.

Accounting Standards Impacting the Future

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, effective FY 2025. It provides guidance for measuring liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and

incrementally associated with payments for leave also should be included in the measurement of the liabilities. The college is following the State's Office of Financial management directives to prepare for the implementation of this Statement.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*, effective FY 2025. This statement requires disclosure of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. The statement defines concentration and constraints and whether an event that could cause the substantial impact has begun or is more likely than not to begin within 12 months of financial statement issuance. The college will be implementing this statement as required.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*, effective FY 2026. It changes and clarifies requirements of information presented in the MD&A, clarifies operating vs. non-operating revenues and expenses, presentation of major component unit information, and budgetary comparison presentation as RSI. The college has not determined the full impact of this statement.

Note 3 - Deposits and Investments

Deposits

Cash and cash equivalents include bank demand deposits, petty cash held at the College, and unit shares in the Washington State Treasurer's LGIP. The Office of the State Treasurer (OST) 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 GASB Statement No. 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, 2024, the carrying amount of the College’s cash and equivalents was \$8,512,136, as represented in the table below.

| Cash and Cash Equivalents | | June 30, 2024 |
|--|-----------|----------------------|
| Bank Demand and Time Deposits | \$ | 4,012,192 |
| Local Government Investment Pool | | 4,183,038 |
| Restricted Cash | | 310,058 |
| Petty Cash and Change Funds | | 6,848 |
| Total Cash and Cash Equivalents | \$ | 8,512,136 |

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, 2024, accounts receivable were as follows:

| Accounts Receivable | Amount |
|---|----------------------|
| Student Tuition and Fees | \$ 1,458,462 |
| Due from Other State Agencies | 12,444,993 |
| Auxiliary Enterprises | 57,087 |
| Other | 1,053,925 |
| Subtotal | 15,014,467 |
| Less Allowance for Uncollectible Accounts | (844,406) |
| Accounts Receivable, net | \$ 14,170,061 |

Note 5 – Inventories

Inventories as of June 30, 2024, were as follows:

| Inventories | Method | Amount |
|------------------------------|---------------|-------------------|
| Consumable Inventories | FIFO | \$ 15,658 |
| Merchandise Inventories | FIFO | 232,958 |
| Work in Progress Inventories | Actual Cost | 5,639 |
| Inventories | | \$ 254,255 |

Note 6 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2024 is presented as follows. The current year depreciation and amortization expense totaled \$2,459,574. The College received a donation of one piece of equipment with an acquisition value of \$7,000 during FY 2024.

| Capital Assets | Beginning Balance | Additions/ Transfers | Retirements | Ending Balance |
|---|--------------------------|-----------------------------|--------------------|-----------------------|
| Capital assets, non-depreciable | | | | |
| Land | \$ 2,553,379 | \$ - | \$ - | \$ 2,553,379 |
| Construction in progress | 13,650 | 98,224 | (13,650) | 98,224 |
| Total capital assets, non-depreciable | 2,567,029 | 98,224 | (13,650) | 2,651,603 |
| Capital assets, depreciable | | | | |
| Buildings | 88,626,176 | 98,600 | - | 88,724,775 |
| Other improvements and infrastructure | 2,801,091 | - | - | 2,801,091 |
| Equipment | 10,108,118 | 1,032,515 | (62,982) | 11,077,651 |
| Library resources | 3,064,164 | 33,457 | - | 3,097,621 |
| Total capital assets, depreciable | 104,599,548 | 1,164,572 | (62,982) | 105,701,138 |
| Less accumulated depreciation | | | | |
| Buildings | 31,476,991 | 1,766,967 | - | 33,243,959 |
| Other improvements and infrastructure | 2,658,163 | 12,029 | - | 2,670,192 |
| Equipment | 7,458,754 | 639,957 | (62,982) | 8,035,729 |
| Library resources | 2,954,729 | 23,067 | - | 2,977,796 |
| Total accumulated depreciation | 44,548,637 | 2,442,021 | (62,982) | 46,927,676 |
| Total capital assets, depreciable, net | 60,050,911 | (1,277,449) | - | 58,773,462 |
| Capital assets, net | \$ 62,617,940 | \$ (1,179,225) | \$ (13,650) | \$ 61,425,065 |

Lease assets as of June 30, 2024 and corresponding asset activity for the year ended June 30, 2024 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 | 17,553 | - | 23,404 |
| Total accumulated amortization | 5,851 | 17,553 | - | 23,404 |
| Lease assets, net | \$ 81,915 | \$ (17,553) | \$ - | \$ 64,362 |

Note 7 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2024, were as follows:

| <u>Accounts Payable and Accrued Liabilities</u> | <u>Amount</u> |
|---|---------------------|
| Amounts Owed to Employees | \$ 569,054 |
| Accounts Payable and Other Accrued Liabilities | 1,990,487 |
| Amounts Held for Others and Retainage | 638 |
| Total | \$ 2,560,179 |

Note 8 - 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 | \$ 75,374 |
| Auxiliary Enterprises | 246,543 |
| Grants and Contracts | 173,193 |
| Total Unearned Revenue | \$495,110 |

Note 9 - Risk Management

The College is exposed to various risk of loss related to tort liability, injuries to employees, errors and omissions, theft of, damage to, and destruction of assets, and natural disasters. The

College purchases insurance to mitigate these risks. Management believes 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, 2023 through June 30, 2024, were \$61,630.

Note 10 - Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by college employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. Accrued vacation leave totaled \$964,127, accrued sick leave totaled \$1,271,054, and accrued compensatory time totaled \$411 at June 30, 2024.

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. Compensatory time is categorized as a current liability since it must be used before other leave.

Note 11 – Leases Payable

Right-to-Use Lease Liabilities

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 2024 was \$19,330. This lease expires in FY 2028.

As of June 30, 2024, the minimum lease payments under this right-to-use lease consists of the following:

| As of June 30 | Principal | Interest | Total |
|------------------------------|------------------|-----------------|------------------|
| 2025 | \$ 17,083 | \$ 2,247 | \$ 19,330 |
| 2026 | 17,754 | 1,576 | 19,330 |
| 2027 | 18,452 | 878 | 19,330 |
| 2028 | 12,701 | 185 | 12,886 |
| Total minimum lease payments | <u>\$ 65,990</u> | <u>\$ 4,886</u> | <u>\$ 70,876</u> |

Note 12 - Notes Payable

In October, 2019, the College obtained financing in order to create a student activity center on the Clarkston, WA campus through a certificate of participation (COP), issued by the 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 14.

Note 13 - Annual Debt Service Requirements

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

| Fiscal year | Certificates of Participation | | |
|--------------|-------------------------------|---------------------|---------------------|
| | Principal | Interest | Total |
| 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 | \$ 6,465,000 | \$ 2,729,250 | \$ 9,194,250 |

Note 14 - Schedule of Long-Term Liabilities

| | Balance outstanding 6/30/23 | Additions | Reductions | Balance outstanding 6/30/24 | Current Portion |
|-------------------------------|--------------------------------|----------------------|----------------------|--------------------------------|---------------------|
| Certificates of Participation | \$ 6,945,000 | \$ - | \$ 480,000 | \$ 6,465,000 | \$ 400,000 |
| Lease Liability | 82,426 | - | 16,437 | 65,989 | 17,083 |
| Compensation absences | 2,142,709 | 1,588,723 | 1,495,840 | 2,235,592 | 270,118 |
| Net pension liability | 2,971,771 | 3,227,011 | 3,849,774 | 2,349,008 | 88,425 |
| Total OPEB liability | 10,998,909 | 9,111,286 | 9,221,536 | 10,888,660 | 274,382 |
| Total | \$ 23,140,815 | \$ 13,927,020 | \$ 15,063,587 | \$ 22,004,249 | \$ 1,050,008 |

Note 15 - Retirement Plans

A. General

The College offers three contributory pension plans: the Washington State PERS, the Washington State 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 SBRP is a defined contribution single employer pension plan with a supplemental payment when required. The SBRP is administered by the 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 for all DRS administered plans. In FY 2024, the College has elected to change from current fiscal year as the measurement date for reporting pension liabilities to a one-year lag between measurement and reporting date for the Higher Education Supplemental Retirement Plan. Net pension liabilities, plan expenses and Deferred inflows will be reported as the same amounts in FY 2023. Deferred Outflows are increased by the amount of FY 2024 contributions subsequent to measurement date.

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 2024:

| Aggregate Pension Amounts - All Plans | | |
|--|----|-------------|
| Net Pension Assets | \$ | (1,966,627) |
| Pension Liabilities | | 2,349,008 |
| Deferred outflows of resources related to pensions | | 3,526,304 |
| Deferred inflows of resources related to pensions | | 3,254,415 |
| Pension Expense | | (417,065) |

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:

- PERS
 - Plan 1 - defined benefit
 - Plan 2 - defined benefit
 - Plan 3 - defined benefit/defined contribution
- TRS
 - Plan 1 - defined benefit
 - Plan 2 - defined benefit
 - Plan 3 - defined benefit/defined contribution

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

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

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

The DRS prepares a stand-alone financial report that is compliant with the requirements of GASB Statement No. 67. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, WA 98504-8380 or online at <https://www.drs.wa.gov/wp-content/uploads/2023/10/2023-ACFR-Document.pdf>.

Higher Education

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

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

PERS

Plan Description. The Legislature established 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, 2024 were as follows:

| | PERS 1 | PERS 2/3* | TRS 1 | TRS 2/3* |
|------------------------------------|---------------|------------------|--------------|-----------------|
| Contribution Rate at close of FY24 | 9.53% | 9.53% | 9.70% | 9.70% |
| Actual Contributions | \$ 218,428 | \$ 470,617 | \$ 30,726 | \$ 137,310 |

* 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, 2022, 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:

| | |
|---------------------------|-------|
| 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, 2022 valuation were based on the results of the *2013-2018 Demographic Experience Study Report* and the *2021 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, 2023, 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 | \$ 1,178,646 | \$ 843,652 | \$ 551,281 |
| PERS 2/3 | 2,126,330 | (1,955,031) | (5,308,127) |
| TRS 1 | 182,703 | 120,028 | 65,242 |
| TRS 2/3 | 374,423 | (11,596) | (325,424) |

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

Pension Liabilities/(Assets). At June 30, 2024, the College reported net pension liability (asset) for its proportionate share of the net pension liabilities/(assets) as follows:

| | Liability/(Asset) |
|-----------------|--------------------------|
| PERS 1 | \$ 843,652 |
| PERS 2/3 | (1,955,031) |
| TRS 1 | 120,028 |
| TRS 2/3 | (11,596) |

The College's proportionate share of pension liabilities/(assets) for fiscal years ending June 30, 2022 and June 30, 2023 for each retirement plan are listed below:

| | <u>2022</u> | <u>2023</u> | <u>Change</u> |
|-----------------|-------------|-------------|---------------|
| PERS 1 | 0.03792% | 0.03696% | -0.00096% |
| PERS 2/3 | 0.04946% | 0.04770% | -0.00177% |
| TRS 1 | 0.00857% | 0.00948% | 0.00091% |
| TRS 2/3 | 0.00881% | 0.00944% | 0.00063% |

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, 2024 the College recognized pension expense as follows:

| | <u>Pension Expense</u> | |
|-----------------|------------------------|------------------|
| PERS 1 | \$ | (39,054) |
| PERS 2/3 | | (274,648) |
| TRS 1 | | (2,350) |
| TRS 2/3 | | 30,594 |
| Total | <u>\$</u> | <u>(285,458)</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, 2024:

| | <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 | - | 95,168 |
| Changes of assumptions | - | - |
| Changes in College's proportionate share of pension liabilities | - | - |
| Contributions subsequent to the measurement date | 218,428 | - |
| Totals | <u>\$</u> 218,428 | <u>\$</u> 95,168 |

| | <u>PERS 2/3</u> | |
|---|---------------------------------|--------------------------------|
| | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> |
| Difference between expected and actual experience | 398,238 | 21,844 |
| Difference between expected and actual earnings of pension plan investments | - | 736,774 |
| Changes of assumptions | 820,790 | 178,900 |
| Changes in College's proportionate share of pension liabilities | 59,780 | 119,260 |
| Contributions subsequent to the measurement date | 470,617 | - |
| Totals | \$ 1,749,424 | \$ 1,056,777 |

| | <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 | - | 17,376 |
| Changes of assumptions | - | - |
| Changes in College's proportionate share of pension liabilities | - | - |
| Contributions subsequent to the measurement date | 30,726 | - |
| Totals | \$ 30,726 | \$ 17,376 |

| | <u>TRS 2/3</u> | |
|---|---------------------------------|--------------------------------|
| | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> |
| Difference between expected and actual experience | 100,981 | 1,634 |
| Difference between expected and actual earnings of pension plan investments | - | 55,620 |
| Changes of assumptions | 92,120 | 9,130 |
| Changes in College's proportionate share of pension liabilities | 16,688 | 19,476 |
| Contributions subsequent to the measurement date | 137,310 | - |
| Totals | \$ 347,099 | \$ 85,859 |

The \$857,081 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, 2025.

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 |
|----------------------------|--------------------|-------------------|--------------------|-------------------|
| 2025 | \$ (64,748) | \$ (383,844) | \$ (12,143) | \$ (13,602) |
| 2026 | (81,428) | (439,533) | (15,351) | (22,297) |
| 2027 | 50,207 | 595,441 | 9,811 | 56,782 |
| 2028 | 801 | 212,675 | 307 | 26,227 |
| 2029 | - | 220,874 | - | 23,690 |
| Thereafter | - | 16,416 | - | 53,129 |
| Total | \$ (95,168) | \$ 222,029 | \$ (17,376) | \$ 123,930 |

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 FY 2021. Prior to that, the SRP was reported under GASB Statement No. 73. As of June 30, 2024, this plan is being reported with a one-year lag between measurement and reporting date. For FY 2024 this means the measurement date was June 30, 2023 and the reporting date was June 30, 2024.

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.

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, 2024 were each \$1,596,103.

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.

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 |

Pension Liabilities. At June 30, 2024 the College reported a net pension liability of \$1,385,328 for its proportionate share of the net pension liabilities.

The College's proportionate share of pension liabilities for fiscal years ending June 30, 2022 and June 30, 2023 for the SBRP plan were as follows:

| | 2022 | 2023 | Change |
|------|-------------|-------------|---------------|
| SBRP | 2.55033% | 2.54234% | -0.00799% |

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

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

Pension expense for the fiscal year ending June 30, 2024 was (\$131,607).

Plan Membership. Membership in the SRP consisted of the following as of January 1, 2023, the most recent full actuarial valuation date.

| Plan | <u>Number of Participating Members</u> | | | |
|-------------|---|--|-----------------------|----------------------|
| | Inactive Members or Beneficiaries Currently Receiving Benefits | Inactive Members Entitled to But Not Yet Receiving Benefits | Active Members | Total Members |
| 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 the measurement date 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 |
| Differences Between Expected and Actual Experience | (146,449) |
| Changes in Assumptions | (290,007) |
| Benefit Payments | (76,482) |
| Change in Proportionate Share of NPL | (8,142) |
| Net Change in Total Pension Liability | (288,398) |
| Total Pension Liability - Beginning | 2,572,596 |
| Total Pension Liability - Ending (a) | 2,284,198 |
| Plan Fiduciary Net Position | |
| Contributions - Employer | 21,922 |
| Net Investment Income | 60,021 |
| Change in Proportionate Share of Plan Assets | (2,649) |
| Net Change in Plan Fiduciary Net Position | 79,294 |
| Fiduciary Net Position-Beginning | 819,576 |
| Fiduciary Net Position-Ending (b) | 898,870 |
| Net Pension Liability (Asset) -- Ending (a)-(b) | \$ 1,385,328 |

Deferred Outflows and Inflows of Resources Related to Pensions.

At June 30, 2023, the SBRP 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 | 227,156 |
| Difference Between Projected and Actual Earnings on Plan Investments | - | 29,799 |
| Contributions Subsequent to Measurement Date | 116,994 | |
| Total | \$ 1,180,624 | \$ 1,999,236 |

The \$116,994 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a deferred outflow for the year ended June 30, 2025.

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

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

Note 16 - 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 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, 2024**

| | |
|-------------------------------------|-----|
| Active Employees* | 332 |
| Retirees Receiving Benefits** | 160 |
| Retirees Not Receiving Benefits*** | N/A |
| Total Active Employees and Retirees | 492 |

*Reflects active employees eligible for PEBB program participation as of June 30, 2023.

**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 2024, we have no options, but to report this amount as not available.

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

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state’s Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year’s explicit subsidy for inclusion in the Governor’s budget. The

final amount is approved by the state Legislature. In calendar year 2024 the explicit subsidy was \$183 per member per month, and it will remain \$183 per member per month in calendar year 2025.

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, 2024, the state reported a total OPEB liability of \$4.374 billion. The College’s proportionate share of the total OPEB liability is \$10,888,660. This liability was determined based on a measurement date of June 30, 2023.

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 2023 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 | 6/30/2023 |
| Actuarial Cost Method | Entry Age |
| Amortization Method | The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members. |
| Asset Valuation Method | N/A - No Assets |

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

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

A retiree subsidy rate of \$66.16 per member per month, used to calculate the transactions subsequent to the measurement date, is equal to the total subsidies received by current retirees (both explicit and implicit), divided by the number of current active subscribers. This amount is then allocated to the agency level based on the active, health care eligible employee headcount of each agency as of the measurement date.

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.54 percent for the June 30, 2022 measurement date and 3.65 percent for the June 30, 2023 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, 2024, 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 (%) | 0.2489294552% |
| Service Cost | \$ 381,463 |
| Interest Cost | 383,182 |
| Changes in Assumptions* | (184,262) |
| Benefit Payments | (266,900) |
| Changes in Proportionate Share | (423,733) |
| Other | 1 |
| Net Change in Total OPEB Liability | (110,249) |
| Total OPEB Liability - Beginning | 10,998,909 |
| Total OPEB Liability - Ending | <u>\$ 10,888,660</u> |

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 3.65 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 (2.65 percent) or 1 percentage point higher (4.65 percent) than the current rate:

| Discount Rate Sensitivity | | |
|----------------------------------|----------------------|--------------------|
| | Current | |
| 1% Decrease | Discount Rate | 1% Increase |
| \$ 12,740,468 | \$ 10,888,660 | \$ 9,399,082 |

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 |
| \$ 9,149,785 | \$ 10,888,660 | \$ 13,126,756 |

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

For the year ending June 30, 2024, the College will recognize OPEB expense of (\$1,068,903). OPEB expense consists of the following elements:

| Walla Walla Community College | |
|--|-----------------------|
| Proportionate Share (%) | 0.2489294552% |
| Service Cost | \$ 381,463 |
| Interest Cost | 383,182 |
| Amortization of Differences Between Expected and Actual Experience | 6,375 |
| Amortization of Changes in Assumptions | (1,167,838) |
| Amortization of Changes in Proportion | (672,085) |
| Total OPEB Expense | \$ (1,068,903) |

As of June 30, 2024, the deferred inflows and deferred outflows of resources for the College are as follows:

| Walla Walla Community College | | |
|---|--------------------------|-------------------------|
| Proportionate Share (%) | 0.2489294552% | |
| Deferred Inflows/Outflows of Resources | Deferred Outflows | Deferred Inflows |
| Difference between expected and actual experience | \$ 165,340 | \$ 323,352 |
| Changes in assumptions | 707,548 | 6,523,860 |
| Transactions subsequent to the measurement date | 274,382 | - |
| Changes in proportion | 120,674 | 3,320,791 |
| Total Deferred Outflows/Inflows | \$ 1,267,944 | \$ 10,168,003 |

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, 2024. 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 (%) | 0.2489294552% |
|--------------------------------|----------------------|
| 2025 | \$ (1,833,549) |
| 2026 | (1,833,552) |
| 2027 | (1,529,764) |
| 2028 | (1,088,368) |
| 2029 | (1,115,047) |
| Thereafter | \$ (1,774,161) |

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 (%) 2022 | 0.2589037143% |
| Proportionate Share (%) 2023 | 0.2489294552% |
| Total OPEB Liability - Ending 2022 | \$ 10,998,910 |
| Total OPEB Liability - Beginning 2023 (chg in prop) | 10,575,177 |
| Total OPEB Liability Change in Proportion | (423,733) |
| Total Deferred (Inflows)/Outflows - 2022 | (6,952,468) |
| Total Deferred (Inflows)/Outflows - 2023 (chg in prop) | (6,684,624) |
| Total Deferred (Inflows)/Outflows Change in Proportion | 267,844 |
| Total Change in Proportion | \$ (691,577) |

Note 17 - Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2024.

| Expenses by Functional Classification | |
|--|----------------------|
| Instruction | \$ 19,903,062 |
| Institutional Support | 10,939,658 |
| Academic Support Services | 6,101,914 |
| Operations and Maintenance of Plant | 4,742,418 |
| Scholarships and Other Student Financial Aid | 7,447,330 |
| Student Services | 6,405,288 |
| Auxiliary Enterprises | 2,545,534 |
| Depreciation and Amortization | 2,459,574 |
| Total operating expenses | \$ 60,544,778 |

Note 18 - Commitments and Contingencies

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

Note 19 – Subsequent Events

Subsequent to June 30, 2024, the College experienced non-recognized subsequent events requiring disclosure under GASB Codification Section 2250. In September 2024, the College purchased property consisting of agricultural land adjacent to the Walla Walla campus, for \$2.75 million. This land will be used in the short term to expand agricultural education programs, and in the long term for strategic campus expansion or student housing.

Additionally, in February 2025, the College obtained financing to purchase new monitors, laptops, docks, desktop computers and tablets through a Certificate of Participation (COP), issued by the OST in the amount of \$308,797.

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 | 0.036958% | \$ 843,652 | \$ 6,614,008 | 12.76% | 80.16% | |

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 | 0.047699% | \$ (1,955,031) | \$ 6,614,008 | -29.56% | 107.02% |

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 | 0.009477% | \$ 120,028 | \$ 811,451 | 14.79% | 85.09% |

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 | 0.009442% | \$ (11,596) | \$ 811,451 | -1.43% | 100.49% | |

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 | |
| 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% | |
| 2024 | \$ 218,428 | \$ 218,428 | \$ - | \$ 7,399,608 | 2.95% | |

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 | |
| 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% | |
| 2024 | \$ 470,617 | \$ 470,617 | \$ - | \$ 7,399,608 | 6.36% | |

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 | |
| 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% | |
| 2024 | \$ 30,726 | \$ 30,726 | \$ - | \$ 1,703,750 | 1.80% | |

Cost Sharing Employer Plans
Schedules of Contributions

| <p align="center">Schedule of Contributions Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30</p> | | | | | | |
|--|--------------------------------------|---|----------------------------------|-----------------|--|--|
| 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 | |
| 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% | |
| 2024 | \$ 137,310 | \$ 137,310 | \$ - | \$ 1,703,750 | 8.06% | |

State Board Supplemental Defined Benefit Plans

| Schedule of Changes in the Net Pension Liability and Related Ratios Walla Walla Community College Measurement Date as of June 30 (expressed in thousands) | | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| | 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 | (8,142) |
| Other | - | - | - | - | 2 | 4 | - |
| Net Change in Total Pension Liability | (656,655) | (235,616) | 557,170 | 962,568 | (2,269,903) | 878,032 | (288,398) |
| 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 | \$ 2,284,198 |
| 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 | - | - | - |
| Change in Proportionate Share of Plan Assets | n/a | n/a | n/a | n/a | - | - | (2,649) |
| Other | n/a | n/a | n/a | n/a | (24) | (1) | - |
| Net Change in Plan Fiduciary Net Position | | | | | \$ 219,048 | \$ 22,569 | \$ 79,294 |
| Plan Fiduciary Net Position-Beginning | | | | | 577,959 | 797,007 | 819,576 |
| Plan Fiduciary Net Position-Ending (b) | | | | | \$ 797,007 | \$ 819,576 | \$ 898,870 |
| 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% | 39.35% |
| 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

| | 2021 | 2022 | 2023 | 2024 |
|---|---------------|------------|------------|------------|
| Statutorily determined contributions | \$ 20,319 | \$ 21,502 | \$ 21,502 | \$ 23,734 |
| Actual contributions in relation to the above | 20,319 | 21,502 | 21,502 | 23,734 |
| Contribution deficiency (excess) | 0 | 0 | 0 | 0 |
| Covered Payroll | \$ 15,630,041 | 16,539,981 | 16,539,981 | 18,257,033 |
| Contribution as a % of covered payroll | 0.13% | 0.13% | 0.13% | 0.13% |

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

State Board Supplemental Defined Benefit Plans

Notes to Required Supplementary Information

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

Effective fiscal year 2021, House Bill 1661 created dedicated funds to pay SRP benefits that mimic the trust arrangement for the rest of the state retirement systems. As a result, the plan, previously reported under GASB Statement No. 73 is now being reported under GASB Statement No. 68. In FY 2024, reporting for the SBRP plan changed to a one-year lag between measurement and reporting.

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

Required Supplementary Information
Other Postemployment Benefits Information

| Schedule of Changes in Total OPEB Liability and Related Ratios | | | | | | |
|---|----------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|
| Measurement Date of June 30* | | | | | | |
| Total OPEB Liability | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
| Service cost | \$ 381,463 | \$ 811,384 | \$ 830,324 | \$ 680,830 | \$ 716,314 | \$ 1,001,031 |
| Interest cost | 383,182 | 376,471 | 358,861 | 569,525 | 621,361 | 688,203 |
| Difference between expected and actual experience | - | (372,829) | - | (87,274) | - | 628,196 |
| Changes in assumptions | (184,262) | (6,294,927) | 153,325 | 369,178 | 1,157,138 | (4,382,367) |
| Changes in benefit terms | - | - | - | - | - | - |
| Benefit payments | (266,900) | (276,595) | (273,402) | (271,159) | (284,235) | (290,663) |
| Changes in proportionate share | (423,733) | 142,621 | (863,037) | (1,965,163) | (530,676) | (898,738) |
| Other | 1 | - | - | (580,103) | - | - |
| Net Changes in Total OPEB Liability | \$ (110,249) | \$ (5,613,877) | \$ 206,071 | \$ (1,284,166) | \$ 1,679,902 | \$ (3,254,338) |
| Total OPEB Liability - Beginning | \$ 10,998,909 | \$ 16,612,786 | \$ 16,406,715 | \$ 17,690,881 | \$ 16,010,979 | \$ 19,265,317 |
| Total OPEB Liability - Ending | \$ 10,888,660 | \$ 10,998,909 | \$ 16,612,786 | \$ 16,406,715 | \$ 17,690,881 | \$ 16,010,979 |
| College's proportion of the Total OPEB Liability (%) | 0.24892946% | 0.25890371% | 0.25669995% | 0.27095279% | 0.30481236% | 0.31526156% |
| Covered-employee payroll | \$ 27,642,623 | \$ 24,514,755 | \$ 24,859,293 | \$ 22,064,312 | \$ 23,568,145 | \$ 24,940,128 |
| Total OPEB Liability as a percentage of covered-employee payroll | 39.390835% | 44.866486% | 66.827266% | 74.358606% | 75.062678% | 64.197661% |

*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.