2022 ANNUAL FINANCIAL REPORT

Centralia College

www.centralia.edu

(360) 736-9391

600 Centralia College Blvd., Centralia, WA

Centralia College, the oldest continuously operated community college in Washington State since 1925.

Centralia College does not discriminate against any person on the basis of race, color, national origin, disability, sex, genetic information, or age in admission, treatment, or participation in its programs, services and activities, or in employment. All inquiries regarding compliance with access, equal opportunity and/or grievance procedures should be directed to the Vice President of Human Resources and Equity, Centralia College, 600 Centralia College Blvd, Centralia, WA 98531, call 360-623-8943, or email hro@centralia.edu.

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CC Volleyball player to be inducted into Sports Hall of Fame

Centralia College is proud to announce the induction of Autumn (Durand) Kanda into the Sports Hall of Fame for the 2023 season.

The formal induction ceremony will be held from 2-4:30 p.m. Saturday, May 6, in the foyer of the Michael Smith Gymnasium during Centralia College's home baseball game against Olympic College.

"Centralia College is proud to recognize Autumn Kanda's hard work and dedication to CC Athletics, and we congratulate her on this well-deserved honor," said Athletic Director Bob Peters.

Kanda's exceptional performance on the CC volleyball team during the 2017-18 season led her team to victory. She led in kills/set, kill percentage, and total kills both seasons at CC. Kanda's outstanding talent did not go unnoticed, as she was ranked second in the region with 4.03 kills/set and fourth in the region with 367 kills. Her impressive achievements earned her recognition as a four-time Regional Player of the Week, two-time NWAC Player of the Week, and NWAC Volleyball First Team. She also received the Coaches Award-MVP and competed in the Sophomore All-Star Match. She served as an assistant volleyball coach at Pierce College (2019-20).

Prior to coming to Centralia College, at Southern Oregon University, Kanda was an All-Cascade Conference Player in 2015-16, and a NAIA All-American second team and Cascade Conference Player of the Year in 2016-17. She is SOU's third all-time leading scorer (1,582 points), sixth all-time leading rebounder (794), and twelfth on the assist list (267).

Kanda is currently a firefighter with the Port of Seattle Fire Department and a volunteer volleyball coach at Olympia High School. She lives in Olympia.

LETTER FROM THE PRESIDENT

CENTRALIA COLLEGE
PRESIDENT'S OFFICE

600 CENTRALIA COLLEGE BLVD • CENTRALIA WA • 98531 • 360-736-9391 • WWW.CENTRALIA.EDU

June 08, 2023

Court Stanley, Board Chair
Board of Trustees
Centralia College
Centralia, WA 98531

Dear Chair Stanley:

We are proud to continue the tradition of submitting our 2022 Annual Financial Report of Centralia College to the Board of Trustees. Management assumes full responsibility for the content and accuracy of this report.

The College was able to report our financial information in a timely manner this year, as required by NWCCU accreditation standards and in keeping with the college's own goals for sustainable and responsible budgeting and fiscal accountability. NWCCU accreditation standards changed the requirements for reporting financial information from 9 months after year end close to 15 months. This change gave business office staff a more reasonable timeframe to complete the financial report especially with the challenges faced this year with the retirement of key business office staff.

Our 2022 report serves as a reminder of the responsibility we have as stewards of public resources to undergo a financial audit which provides the public confidence in our management of college and state resources. The State Auditor's Office (SAO) has issued another clean (unmodified) opinion on the College's financials. The *Management Discussion and Analysis*, which follows the State Auditor's Office *Independent Audit Opinion Letter*, provides the reader with a better understanding of the financial position and result of operation for the College's most recent fiscal-year.

We hope you find this report useful and that it helps to provide a full picture of the fiscal health of Centralia College.

Sincerely,

Bob Mohrbacher Jun 16, 2023 Tariq Qureshi Jun 16, 2023

Bob Mohrbacher, President Tariq Qureshi, Vice President, Finance & Administration

Signature: Tariq Qureshi
Email: tariq.qureshi@centralia.edu

Signature: Bob Mohrbacher
Bob Mohrbacher (Jun 16, 2023 14:05 PDT)
Email: bob.mohrbacher@centralia.edu

BOARD OF TRUSTEES AND ADMINISTRATIVE OFFICERS

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Nikki Sprague
Director, Fiscal and Business Services

Carrisa Brown
Assistant Director, Fiscal and Business Services

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Board of Trustees
Centralia College
Centralia, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Centralia College as of and for the year then ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the financial section of our report.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Centralia College, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Centralia College Foundation (the Foundation), which represent 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the reports of other auditors. The Financial Statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the

Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters of Emphasis

As discussed in Note 2 to the financial statements, in 2022, the College adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 87, Leases*. Our opinion is not modified with respect to this matter.

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The College Success Stories, Letter from the President, and Board of Trustees and Administrators information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated July 27, 2023, 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. That report will be issued under separate cover in the College's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

July 27, 2023

MANAGEMENT'S DISCUSSION & ANALYSIS

Centralia College

The objective of this Management Discussion and Analysis (MD&A) is to help readers of Centralia College's financial statements better understand the financial position and operating activities for the year ended June 30, 2022 with comparative information for the year ended June 30, 2021. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section. Unless otherwise stated, all years refer to the fiscal year ended June 30th.

The Centralia College financial report communicates financial information for Centralia College and its' discretely presented component unit, the Centralia College Foundation. The College is an agency of the State of Washington, and the financial information contained in this report is included in the State of Washington's Annual Comprehensive Financial Report (ACFR) for 2022.

Reporting Entity

Centralia College is one of 30 community and technical college districts in the State of Washington overseen by the State Board for Community and Technical Colleges (SBCTC). The College is governed by a Board of five Trustees, which has broad responsibilities to supervise, coordinate, manage and regulate the College as provided by state law. Trustees are appointed by the Governor for a term of five years, with consent of the Senate.
The College offers associate degrees and certificates in a variety of programs, and five baccalaureate degrees in Applied Science.

The College is the oldest continuously operating two-year public college in the State of Washington, established in 1925 and currently averages approximately 4,285 full-time and part-time students per academic year. The College's main campus is located in Centralia, and serves Lewis and south Thurston counties with a population of approximately 90,000, and has a satellite campus in Morton.

Using the Financial Statements

The College reports as a special purpose government, engaged in business-type activities as defined by Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements – Management's Discussion and Analysis – for Public Colleges and Universities, as amended. Under this model, the financial report includes three financial statements, the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted accounting standard setting body for establishing governmental accounting and financial reporting principles. 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.

GASB Statement No. 39, Determining Whether Certain Organizations are Component Units requires a college to report an organization that raises and holds economic resources for the direct benefit of a government unit. Under this requirement, the Centralia College Foundation is a component unit of the College and their financial statements are discretely presented into this financial report.

The College's Financial Position

The statement of net position provides information about the College's financial position at the end of the fiscal year. It displays all of the College's assets, deferred outflows, liabilities and deferred inflows. The difference between assets, deferred outflows, liabilities and deferred inflows is net position.

A condensed comparison of the Statements of Net Position as of June 30, 2022 and 2021, follows:

Condensed Statement of Net Position

As of June 30 (in thousands)	2022	*As restated* 2021
Assets		
Current assets	$ 18,499	$ 20,163
Capital assets, net	81,933	83,064
Other assets, non-current	10,746	3,206
Total Assets	111,178	106,433
Deferred Outflows of Resources	3,939	4,170
Liabilities		
Current liabilities	3,633	3,112
Other liabilities, non-current	18,503	20,715
Total Liabilities	22,136	23,827
Deferred Inflows of Resources	11,826	7,101
Net Position		
Net Investment in Capital Assets	79,428	80,443
Restricted	7,276	2,622
Unrestricted	(5,548)	(3,390)
Total Net Position	$ 81,156	$ 79,675

The FY21 Statement of Net Position has been restated due to the implementation of GASB 87. Lease receivables increased current assets by $143K and non-current assets by $265K. In addition, deferred inflows were increased by $405K and unrestricted net position was increased by $3.5K.

Current assets consist of cash, investments, accounts receivable and inventories. The $1.66 million decrease from 2021 to 2022 was the result of: 1) Cash increased $1.1 million and current investments decreased by $3 million which is the result of investing in U.S. Government sponsored enterprise bonds. For 2021, the total invested in short term bonds was $4 million whereas for 2022 the total invested in short term bonds was $1 million. This is a result of returning to our investment strategy of laddering the purchase of new bonds. 2) Accounts receivable increased $494K. Accounts receivable can fluctuate from year to year, such as grant and contract receivables which were $405K more in FY22 when compared to FY21. 3) Inventories decreased by $204K as a result of the bookstore closure for most of Spring quarter due to the ransomware attack on February 14, 2022 and low number of students on campus due to COVID.

Capital assets including land and construction in progress decreased by a net of $1.13 million in 2022. Major factors include construction in progress increased by a $1.4 million with construction costs for the multi-purpose field and preliminary work on the Teacher Education and Family Development building. Equipment increased by a net of $255K with welders for the welding lab, floor scrubbers for the Facilities department and a CDL simulator as the largest purchases and the disposal of a Blue Bird school bus as the only decrease. The decrease is primarily the result of accumulated depreciation for the year being higher than the additions to capital assets. More information on the College's capital assets can be found in Note 7 to the financial statements.

Non-current assets, other than the net capital assets, increased by $7.54 million in 2022. This increase is largely a result of the addition of a $5.2 million net pension asset for the state retirement systems for the PERS 2/3 and TRS 2/3 plans. There was also an increase in investments by purchasing $2.5 million in U.S. Government sponsored enterprise bonds as part of the College investment procedure, an increase in restricted cash of $419K and the addition of $230K for a right to use lease asset with the implementation of GASB 87.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and postemployment benefits related to GASB Statement No. 68 and Statement No. 75. The decrease in deferred outflows reflect the College's proportionate share of the state-wide amounts reported by the Department of Retirement System (DRS) and Health Care Authority (HCA) due to differences between expected and actual experience related to the actuarial assumptions. The College recorded $4.17 million in FY 2021 and $3.94 million in FY 2022 of pension and postemployment-related deferred outflows.

Similarly, the increase in deferred inflows in 2022 reflects the difference between actual and projected investment earnings on the state's pension plans and other postemployment benefits. The College recorded $6.7 million in FY 2021 and $11.6 million in FY 2022 of pension and postemployment-related deferred inflows. Deferred inflows also changed due to the implementation of GASB 87 Leases which caused a restatement of FY21 deferred inflows of $405K and a current balance of $262K in FY22.

Current liabilities include accounts payable, accrued payroll, the current portion of Certificate of Participation (COP) debt, and associated liabilities and unearned revenues. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements. Current liabilities increased for 2022 by $521K with the largest changes being a decrease in accounts payable of $135K and an increase in accrued liabilities of $638K.

Non-current liabilities are made up of OPEB and pension liabilities, vacation and sick leave balances, and the long-term portion of Certificate of Participation debt and lease payable. The $2.2 million decrease in non-current liabilities is primarily attributed to pension liability. The main difference from FY21 to FY22 is a $1.86 million decrease in net pension liability primarily related to the state retirement plans, PERS 2/3 and TRS 2/3, having a net pension asset rather than a net pension liability.

Net position represents the difference between the College's assets plus deferred outflows, less liabilities and deferred inflows, and measures whether the financial condition has improved or worsened during the year. The College reports its net position in three categories:

Net Investment in capital assets – The College's total investment in property, plant and equipment, net of accumulated depreciation and any outstanding debt attached to its capital assets. To the extent of restricted cash and cash equivalents for capital projects collected, but not yet spent, these amounts are not included as a component of capital assets, instead are included as a component of restricted net position, expendable described below.

Restricted net position, expendable – Includes resources in which the College is legally or contractually obligated to spend in accordance with restrictions placed by the donor or external parties. In addition to the net pension asset for the state retirement systems, the primary expendable funds for the College are the dedicated student fees collected as part of referendums and reserved for student projects, such as the athletic multi-purpose field.

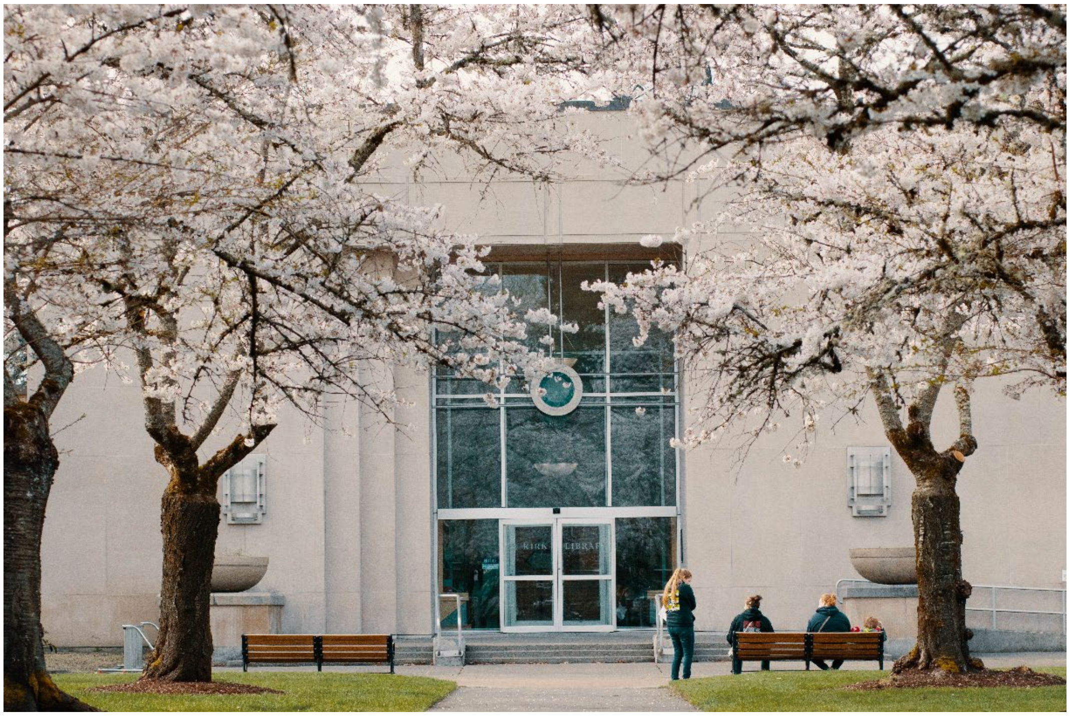
Unrestricted net position – These represent all the other resources available to the College for general and educational obligations to meet expenses for any lawful purpose. Unrestricted net position is not subject to externally imposed stipulations; however, the College has designated the majority of the unrestricted net position for various academic and support functions. Prudent balances are maintained for use as working capital, as a reserve against emergencies and for other purposes, in accordance with policies established by the Board of Trustees.

Condensed Net Position

As of June 30 (in thousands)	2022	*As restated* 2021
Net Investment in capital assets	$ 79,428	$ 80,443
Restricted expendable	7,276	2,622
Unrestricted (deficit)	(5,548)	(3,390)
Total Net Position	$ 81,156	$ 79,675

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position provides information about the details of the changes in the net position of the College. The statement classifies revenues and expenses as either operating or non-operating. Generally, operating revenues are revenues that are earned by the College in exchange for providing goods or services. Operating expenses are defined as expenses incurred in the normal operation of the College, including a provision for the depreciation of property and equipment assets. The difference between the operating revenues and operating expenses, will always result in an operating loss since the College's state operating appropriations, and Federal Pell grant revenues are shown as non-operating revenues as required by the GASB.



A summary of the College's Statements of Revenue, Expenses and Changes in Net Position for the years ended June 30, 2022 and 2021, follows:

Centralia College
Condensed Statement of Revenues, Expenses, and Changes in Net Position

As of June 30 (in thousands)	2022	*As restated* 2021
Operating Revenues		
Student tuition and fees, net	$ 2,712	$ 3,734
Auxiliary enterprise sales	698	889
Grants and contracts	14,472	15,537
Other operating revenues	37	218
Total operating revenues	17,919	20,378
Non-Operating Revenues		
State appropriations	16,312	16,749
Federal Pell grant revenue	2,314	3,264
Federal non-operating revenue	4,106	1,588
Other non-operating revenues	(224)	284
Total non-operating revenues	22,508	21,885
Total revenues	40,427	42,263
Operating Expenses		
Salaries and Benefits	22,322	24,248
Scholarships	6,173	5,269
Depreciation	2,803	2,796
Other operating expenses	8,005	7,465
Total operating expenses	39,303	39,778
Non-Operating Expenses		
Building fee remittance	474	546
Other non-operating expenses	239	283
Total non-operating expenses	713	829
Total expenses	40,016	40,607
Excess (deficiency) before capital contributions	411	1,657
Capital appropriations and contributions	1,069	1,702
Change in Net Position	1,480	3,359
Net Position		
Net position, beginning of year		76,314
Prior period adjustment for implementation of GASB 87		2
Net position, beginning of year, as restated	79,675	76,316
Net Position, end of year	$ 81,156	$ 79,675

The FY21 Statement of Revenue, Expenses and Changes in Net Position has been restated due to the implementation of GASB 87. Lease revenue decreased other operating revenue by $3K and interest revenue increased other non-operating revenue by $4K. Additionally, a prior period adjustment for FY20 was recognized.

Operating and Non-Operating Revenues

State operating appropriations, tuition and fees (net of scholarship discounts and allowances), and grants and contracts, are the primary sources for funding the College’s academic programs.

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 fiscal year 2022, the SBCTC allocated funds to each of the 34 colleges based on three-year average FTE actuals. This method of allocation will continue in FY2023.

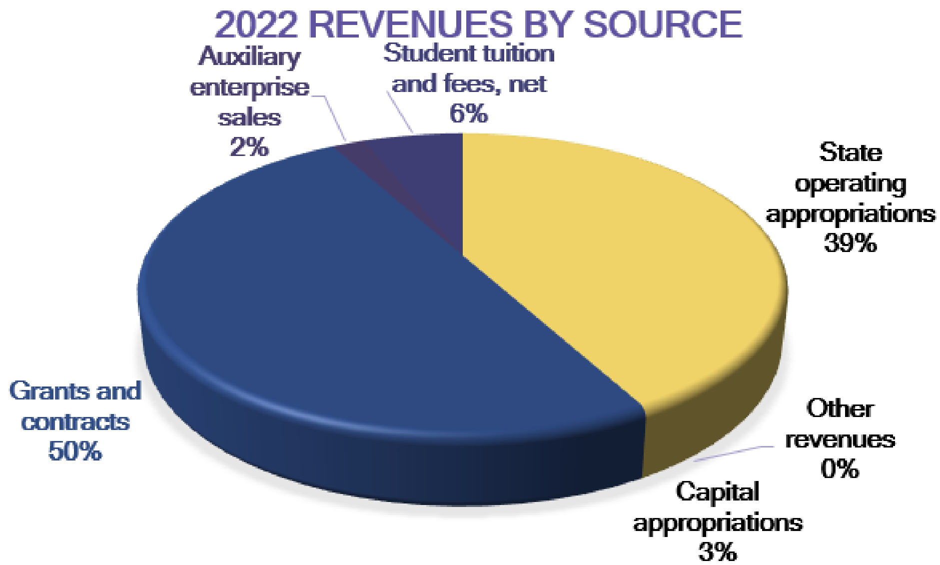
State supported enrollments decreased 12% or 256 FTE-S (full time equivalent students) in 2022. The lower division FTE-S decreased by 231 of which 5 of those were basic skills non-tuition paying enrollments and the baccalaureate program FTE-S decreased by 25. This enrollment decrease resulted in tuition and fees decreasing by a net of $1.02 million, even with a 2.8% tuition rate increase. A significant factor in the decrease is attributable to the COVID-19 pandemic, which is continuing to impact enrollments. Pell grant, as well as auxiliary enterprise sales, revenues generally follow enrollment trends. The College's enrollment softened during FY22, and these revenue sources showed a decrease as well.

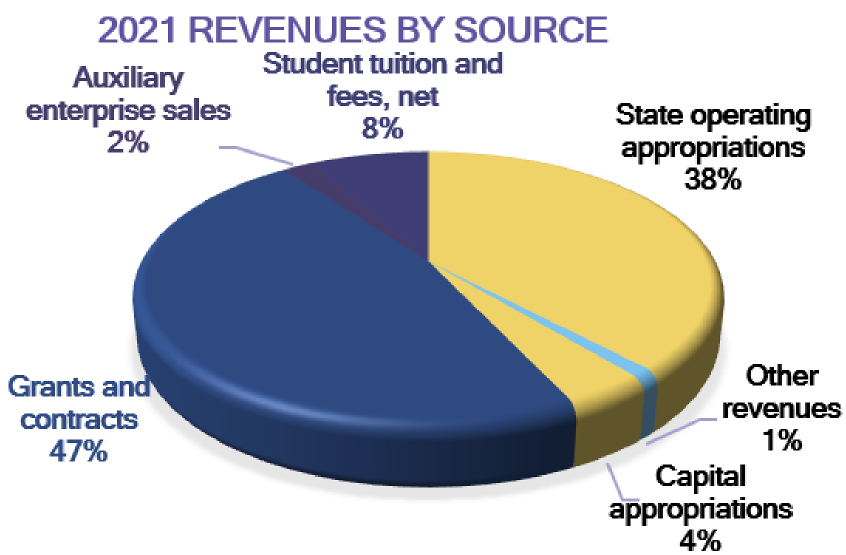
In 2022, grant and contract operating revenues decreased by $1.07 million when compared 2021. In FY22, state and local grants and contracts revenue decreased by $1.1 million while federal grants and contracts revenue showed little change when compared to FY21. For state and local grants and contracts, the main changes were decreases of $391K for the Dept of Commerce Mobile Lab grant, $450K for the ECEAP Summer Family Support grant, $430K in Running Start, and $602K for Washington College Grant and increases of $543K in ECEAP, $137K for the Green Hill School contract and $110K for the new Childcare Stabilization Grant.

Non-operating Federal grant revenues, in addition to Pell, included $3.69 million of HEERF funding for student aid and institutional expenses related to COVID-19, an increase of $2.1 compared to 2021. Other non-operating revenue decreased by $508K from FY21 to FY22 primarily due to the decrease in the fair market value of the bond investments.

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 is the amount expended in the current year. Capital appropriation revenue decreased $633K in fiscal year 2022 compared to 2021. 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.

The following illustration showing revenue by source, both operating and non-operating used to fund the College's programs for the year ended June 30, 2022 and 2021, in percentage terms.



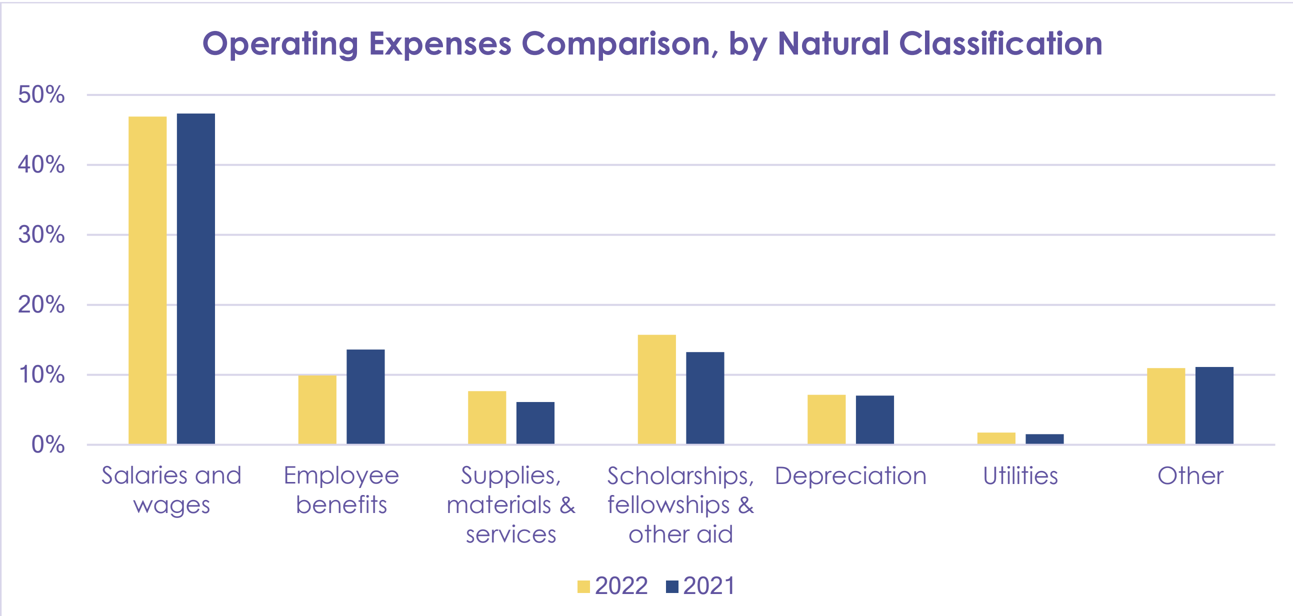


Operating Expenses

Faced with severe budget cuts and declining enrollment over the past several years, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College decreased spending and services and was subject to various state spending freezes and employee salary reductions.

For 2022, the College saw a decrease of $475K in total operating expenses. Salary costs decreased $400K even with a small COLA salary increase, primarily as a result of unfilled staff and faculty positions. The $1.5 million decrease in benefit costs was primarily a result of increase of $1.1 million in pension and OPEB expense adjustments. Scholarships increased by $903K primarily the result of HEERF Student Aid funding increasing by $1.8 million and Pell decreasing by $942K. Other operating expenses saw an increase of $540K, mainly in the purchased services category, with the primary increases being $179K for ransomware related expenses due to the February 14, 2022 ransomware event and $109K in HEERF funding for the food services subsidy as students slowly returned to campus after COVID.

Salaries and wages, scholarships, fellowships and other aid, and employee benefits are the major support cost for the College's programs, followed by other, supplies materials and services and depreciation.



Capital Improvements

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

At June 30, 2022, the College had invested $81.93 million in capital assets, net of accumulated depreciation. This represents a decrease of $1.13 million from last year, shown in the table below.

Capital Assets

For the years ended June 30 (in thousands)	2022	2021
Land	$ 9,030	$ 9,030
Construction in Progress	1,528	129
Buildings, net	66,424	68,625
Other Improvements and Infrastructure, net	3,386	3,557
Equipment, net	1,557	1,709
Library Resources, net	8	14
Total Capital Assets, net	$ 81,933	$ 83,064

A large part of the decrease in net capital assets can be attributed to the larger increase in net depreciation reduction compared to the additions to capital assets in FY22 versus FY21. Additional information on capital assets can be found in Note 7 of the Notes to the Financial Statements.

In FY22, the College implemented GASB 87, Leases and recorded the following right to use leased asset as part of its capital assets. During FY22, the college entered into this new lease payable, which was reported at present value using the State of Washington incremental borrowing rate. The amounts in the table below are reported net of accumulated amortization.

Right to Use Asset Type	June 30, 2022	June 30, 2021	Change
Leased Building, net	230,480		230,480
Total Leased Capital Assets, net	230,480	-	230,480

Additional information of lease payable, notes payable, debt service requirements and long-term liabilities can be found in Notes 12, 13, 14 and 15 of the Notes to the Financial Statements.

Financial Summary and Economic Factors That Will Affect the Future

For the 17-19 biennium, the State Board for Community and Technical College's elected to move to a new allocation model, changing how the state allocated funds are distributed to each college. The new model is based on performance in several key indicators, from general enrollments to enrollments in high-cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state.

Due to a continued decrease in enrollment over the past few years, it is probable that the College will see a decrease in state operating appropriations in future years. In addition, the Higher Education Emergency Relief Fund (HEERF) grant will be ending on June 30, 2023 and these funds have significantly added to the College's financial position. The loss of the HEERF funding will require careful planning to avoid a negative financial impact on the College.

In response to this possibility, the college is looking at ways to increase enrollment. This includes implementing the nationally known "Guided Pathways" process to help students navigate through the educational course offerings and degrees in a more seamless process and implementing a new targeted recruitment plan. It is also working closely with the Centralia College Foundation on facilities that would allow additional educational programs, particularly in the trades, and possible projects that would make the campus more appealing to potential students.

Enrollment has begun to trend up leading to better revenue projections; however, expenditures are trending up significantly, leading to some financial uncertainty. Enrollment is the most critical future factor Centralia College faces, and the campus is focused on identifying strategies and initiatives that will increase overall enrollment. As the College continues to be affected by the results of the COVID-19 pandemic, a significant decrease in enrollments has been experienced. While historically colleges have seen an increase in enrollments in times of higher unemployment, that has not been the trend nationally, statewide or at Centralia College. The College will be looking closely at budgets and ways to innovate instruction to attract more students.

FINANCIAL STATEMENTS

Centralia College Statement of Net Position

As of June 30, 2022

Assets	
Current Assets	
Cash and cash equivalents (Note 3)	$ 12,041,819
Investments (Note 3)	989,823
Accounts receivable, net (Note 4)	5,139,874
Lease receivable, net (Note 5)	144,154
Inventories (Note 6)	128,043
Interest receivable	12,733
Other current assets	42,891
Total current assets	18,499,337
Non-Current Assets	
Restricted cash and cash equivalents (Note 3)	1,811,986
Long-term lease receivable, net (Note 5)	121,112
Net pension asset (Note 16)	5,247,407
Investments (Note 3)	3,334,946
Non-depreciable capital assets (Note 7)	10,557,598
Capital assets, net of depreciation (Note 7)	71,375,517
Leased assets, net of amortization (Note 7)	230,480
Total non-current assets	92,679,046
Total Assets	111,178,383
Deferred Outflows (Note 16 and 17)	
Deferred outflows related to pensions	2,418,558
Deferred outflows related to OPEB	1,521,231
Total Deferred Outflows	3,939,789
Liabilities	
Current Liabilities	
Accounts payable and accrued liabilities (Note 8)	2,859,165
Total OPEB liability, short term (Note 15)	214,301
Unearned revenues (Note 9)	186,848
Compensated absences (Note 11 and 15)	153,036
Leases and certficates of participation payable (Note 12, 13, 14 and 15)	191,017
Net pension liability, short term (Note 15 and 16)	28,587
Total current liabilities	3,632,954
Non-Current Liabilities	
Total OPEB Liability (Note 15)	12,767,545
Net pension liability (Note 15 and 16)	1,585,079
Leases and certificates of participation (Note 12, 13, 14 and 15)	2,544,568
Compensated absences (Note 11 and 15)	1,606,153
Total non-current liabilities	18,503,345
Total Liabilities	22,136,298
Deferred Inflows (Note 16 and 17)	
Deferred inflows on lease receivable	261,768
Deferred inflows related to pensions	7,374,270
Deferred inflows related to OPEB	4,190,025
Total Deferred Inflows	11,826,063
Net Position	
Investment in capital assets	79,428,010
Restricted expendable	7,276,005
Unrestricted (deficit)	(5,548,205)
Total Net Position	81,155,810

The accompanying notes are an integral part of this statement

Centralia College Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2022

Operating Revenues	
Student tuition and fees, net	$ 2,711,644
State and local grants and contracts	13,130,784
Federal grants and contracts	1,341,513
Auxiliary enterprise sales	698,046
Other operating revenues	37,179
Total operating revenue	17,919,166
Operating Expenses	
Salaries and wages	18,431,280
Scholarships, fellowships and other aid	6,172,788
Employee benefits	3,890,669
Supplies, materials and services	3,010,707
Other operating expenses	4,308,972
Depreciation and amortization	2,802,726
Utilities	685,597
Total operating expenses	39,302,740
Operating loss	(21,383,574)
Non-Operating Revenues (Expenses)	
State operating appropriations	16,312,069
Federal Non-operating revenue	4,105,995
Federal Pell grant revenue	2,314,254
Interest income, leases	3,051
Investment income	(227,113)
Interest on indebtedness	(118,774)
Building fee remittance	(474,412)
Innovation fund remittance	(119,894)
Net non-operating revenue	21,795,176
Gain before capital appropriations	411,602
Capital appropriations	1,068,868
Change in net position	1,480,470
Net Position	
Net position, beginning of year	79,671,748
Prior period adjustment for implementation of GASB 87	3,592
Net position, beginning of year, as restated	79,675,340
Net position, end of year	$ 81,155,810

The accompanying notes are an integral part of this statement

Centralia College Statement of Cash Flows

For the Year Ended June 30, 2022

Operating Revenues	
Student tuition and fees, net	$ 2,711,644
State and local grants and contracts	13,130,784
Federal grants and contracts	1,341,513
Auxiliary enterprise sales	698,046
Other operating revenues	37,179
Total operating revenue	17,919,166
Operating Expenses	
Salaries and wages	18,431,280
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Investment income	(227,113)
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Capital appropriations	1,068,868
Change in net position	1,480,470
Net Position	
Net position, beginning of year	79,671,748
Prior period adjustment for implementation of GASB 87	3,592
Net position, beginning of year, as restated	79,675,340
Net position, end of year	$ 81,155,810

The accompanying notes are an integral part of this statement

Centralia College Statement of Cash Flows – Continued

Reconciliation of Operating Loss to Net Cash used by Operating Activities		
Operating Loss	$	(21,383,574)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense		2,802,726
Interest on capital debt		
Changes in assets, liabilities and deferrals		
Accounts payable and accrued liabilities		502,551
Lease receivable		95
Accounts receivable		(453,171)
Inventories		203,894
Compensated absences		(159,790)
Pension/OPEB liability		(2,276,597)
Unearned revenues		(21,212)
Net cash used by operating activities	$	(20,785,078)
Significant non-cash Transactions		
Investment Losses	$	(227,113)

The accompanying notes are an integral part of this statement

AUDITED FINANICAL STATEMENTS OF COMPONENT UNIT

CENTRALIA COLLEGE FOUNDATION

A Washington Not-For-Profit Organization

STATEMENT OF FINANCIAL POSITION

As of June 30th, 2022

ASSETS	**June 30, 2022**
CURRENT ASSETS	
Cash and Cash Equivalents	1,520,912
Pledges Receivable	130,600
Current Portion of Note Receivable	5,272
TOTAL CURRENT ASSETS	1,656,784
NONCURRENT ASSETS	
Long-Term Note Receivable	24,992
Life Insurance Policies	55,159
Long-Term Investments	19,682,521
Land, Building, and Equipment Held for the Benefit of the College, Net	3,641,100
Land, Building, and Equipment, Net	405,734
TOTAL ASSETS	25,466,290
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	27,098
Charitable Gift Annuity Contracts	10,606
Payable to the College	108,432
TOTAL LIABILITIES	146,136
NET ASSETS	
Without Donor Restrictions	3,547,892
TOTAL WITHOUT DONOR RESTRICTIONS	3,547,892
With Donor Restriction	
Purpose or Time Restrictions	13,435,939
Perpetual in Nature	8,336,322
TOTAL WITH DONOR RESTRICTIONS	21,772,261
TOTAL NET ASSETS	25,320,153
TOTAL LIABILITIES AND NET ASSETS	$ 25,466,289

The accompanying notes are an integral part of this statement

CENTRALIA COLLEGE FOUNDATION
A Washington Not-For-Profit Organization

STATEMENT OF ACTIVITIES
As of June 30th, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	2022 Total
SUPPORT AND REVENUES			
Contributions	$ 290,880	$ 1,206,602	$ 1,497,482
Grants	-	196,743	196,743
Special Fundraising Event	5,119	12,625	17,744
Club Income	-	47,339	47,339
Net Investment Return	(2,738)	(2,412,763)	(2,415,501)
Rental Revenue	35,568	-	35,568
Other Income	-	4,274	4,274
Net Assets Released from Restrictions	790,621	(790,621)	-
Total Support and Revenue	1,119,450	(1,735,801)	(616,351)
EXPENSES			
Program Services	698,198		698,198
Management and General	378,787		378,787
Fundraising	2,657		2,657
Total Expenses	1,079,642	-	1,079,642
CHANGE IN NET ASSETS	39,808	(1,735,801)	(1,695,993)
NET ASSETS, BEGINNING OF YEAR	3,508,084	23,508,062	27,016,146
NET ASSETS, END OF YEAR	$ 3,547,892	$ 21,772,261	$ 25,320,153

The accompanying notes are an integral part of this statement

CENTRALIA COLLEGE FOUNDATION
A Washington Not-For-Profit Organization

STATEMENT OF FUNCTIONAL EXPENSES
For the period ending June 30th, 2022

	2022			
	Program Services	Management and General	Fundraising	2022 Total
Purchased and In-Kind Services	$ 46,465	$ 216,563	$ -	$ 263,028
Grants and Allocations	389,391	-	-	389,391
Depreciation	140,374	440	-	140,814
Other Goods and Services	15,971	65,886	1,671	83,528
Printing and Communications	-	3,114	-	3,114
Professional Fees	-	29,758	-	29,758
Small Equipment Purchases	23,363	567	-	23,930
Cost of Goods Sold	2,836	1,629	496	4,961
Insurance and Property Taxes	16,031	2,410	376	18,817
Occupancy	2,008	3,600	114	5,722
Advertising	1,056	5,341	-	6,397
Supplies	47,209	2,506	-	49,715
Printing	12,075	46,735	-	58,810
Travel, Conferences, and Training	1,419	238	-	1,657
	$ 698,198	$ 378,787	$ 2,657	$ 1,079,642

The accompanying notes are an integral part of this statement

CENTRALIA COLLEGE FOUNDATION
A Washington Not-For-Profit Organization

STATEMENT OF CASH FLOWS
For the period ending June 30th, 2022

		2022
CASH FLOWS FROM OPERATING ACTIVITES		
Cash Received from Support and Revenue	$	1,249,198
Cash Paid for Management, Program, and Fundraising		(1,004,722)
Dividends and Interest		3,397
Net Cash Provided (Used) by Operating Activities		247,873
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Building, Equipmment, and Construction in Progress		(433,336)
Receipts on Notes Receivable		27,631
Proceeds from Sale of Investments		-
Purchases of Investments		(36,539)
Net Cash Provided (Used) by Investing Activities		(442,244)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions to be Held in Perpetuity		497,945
Prior Period Adjustment		89,276
Net Cash Provided (Used) by Financing Activities		587,221
NET INCREASE IN CASH AND CASH EQUIVALENTS		392,850
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,128,062
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	1,520,912

The accompanying notes are an integral part of this statement

CENTRALIA COLLEGE FOUNDATION
A Washington Not-For-Profit Organization

STATEMENT OF CASH FLOWS (CONTINUED)
For the period ending June 30th, 2022

		2022
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net Assets	$	(1,695,992)
Adjustments to reconcile change in net assets to net assets to net cash provided (used) by operating activities		
Net unrealized and realized losses from investments		2,415,501
Contributions to be held in perpetuity		(497,945)
Depreciation		140,814
Life insurance policies		
(Increase) decrease in:		
Contributions receivable		(48,610)
Increase (decrease) in:		
Accounts payable		(145,463)
Charitable gift annuity contracts		(986)
Payable to the college		80,555
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$	247,874

DISCLOSURE OF ACCOUNTING POLICY AND NONCASHTRANSACTIONS

For purposes of these financial statements, cash and cash equivalents is considered to include only cash on hand, and cash and money market accounts used for operating activities. In 2022, noncash transactions include donated materials and services of $178,404

The accompanying notes are an integral part of this statement

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Financial Reporting Entity

Centralia College ("College") is a comprehensive community college offering open-door academic transfer, workforce education, and basic skill programs, as well as, community service and continuing education courses. The College confers applied baccalaureate degrees, associate 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 Centralia College Foundation ("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 receive gifts, bequests, and donations to be held in trust and administered to advance the goals of Centralia College. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the college or its students, the Foundation is considered a component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. A discrete component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2022, the Foundation distributed approximately $641,631 to the College for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at (360)623-8942.

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 U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Investments

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

Accounts Receivable

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

Inventories

Inventories consist of merchandise held by auxiliary departments. Inventories are valued at cost, using the First-in First-out (FIFO) valuation method.

Capital Assets

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

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

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

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

Unearned Revenue

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

Tax Exemption

The College is a tax-exempt organization under Section 115(1) of the Internal Revenue Code and is exempt from federal income taxes on related income. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Pension and OPEB Liability

For purposes of measuring the net pension liability in accordance with GASB 68, *Accounting and Financial Reporting for Pensions,* 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*.

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

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

Net Position

The College's net position is classified, as follows:

Net investment in capital assets – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted net position, expendable – The amount of restricted net pension, expendable includes $5,247,406.87 for Net Pension Asset using the GASB preferred method which excludes deferred inflows and deferred outflows from the calculation. The total restricted net position, expendable also includes resources in which the College is legally or contractually obligated to spend in accordance with restrictions placed by third parties.

Unrestricted net position – These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's practice 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 as either operating or non-operating revenues according to the following criteria:

Operating revenues consist of tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprise revenues. Operating expenses include salaries, wages, fringe benefits, scholarships and fellowships, utilities, supplies, materials, purchased services and depreciation. All other revenues and expenses of the College are reported as non-operating revenues and expenses including state appropriations, Federal Pell, CARES Act and CRRSAA Act grant revenues, investment income and tuition remittance. Non-operating expenses include state remittance related to the building fee and the innovation fee and interest incurred on the Certificate of Participation loan.

Scholarship Discounts and Allowances

Student tuition and fee revenue, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charges for goods and services charged by the College, and the amount that is paid by the students and/or third parties on the students' behalf. Certain government grants, such as Pell grant, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2022 were $3,256,280.

State Appropriations

The state of Washington appropriates funds to the State Board of Community and Technical Colleges (SBCTC) which allocates funding to the College on both an annual and biennial basis. These revenues are reported as non-operating revenues on the Statement of Revenues, Expenses and Changes in Net Position, and recognized as such when the related expenses are incurred.

Building and Innovation Fee Remittance

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

Use of Estimates

Allowances for uncollectible accounts are estimated based on aging and historical data on collection of various receivables. Actual results could differ from these estimates, though the College believes these allowances are adequate.

Note 2. Accounting and Reporting Changes

In June 2017, GASB issued Statement No. 87, Leases; which had an effective date for reporting periods beginning after December 15, 2019. GASB 95 delayed implementation by one year which made it effective for the College for reporting in FY22. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB 87 was adopted on July 1, 2021 resulting in a recognition of lease receivable of $265,266, deferred inflows of $261,768 and an adjustment to beginning net position of $3,592 which were reported at present value using the State of Washington implicit interest rate unless otherwise noted in the contract. During FY22, the college entered into a new lease payable, which was reported at present value using the State of Washington incremental borrowing rate.

Note 3. Deposits and Investments

Deposits

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

Investments in Local Government Investment Pool (LGIP)

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

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

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at http://www.tre.wa.gov. As of June 30, 2022, the carrying amount of the College's cash and equivalents was $13,853,805 as represented in the table below.

Cash and Cash Equivalents	**June 30, 2022**
Petty cash and change funds	$ 4,050
Bank demand and time deposits	13,393,521
Local government investment pool	456,234
Total Cash and Cash Equivalents	$ 13,853,805

Cash and cash equivalents include restricted cash and cash equivalents of $1,811,986 at June 30, 2022.

Custodial Credit Risk

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 Timberland 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).

Investments

Interest Rate Risk

Interest rate risk is the risk that the College may face should interest rate variances affect the fair value of investments. The College investment policy stipulates that the College manage its exposure to interest rate risk by limiting the duration of investment and structuring the maturity of investments to mature at various points in the year, with a maximum duration for fixed-income securities of 48 months from the time of purchase until maturity.

Although bonds are issued with clearly defined maturities, an issuer may be able to redeem, or call, a bond earlier than its maturity date. The College may then have to consider replacing the called bond with a bond that may have a lower yield than the original yield. The call feature causes the fair value to be highly sensitive to changes in interest rates. Bond maturities, not factoring in any call provision they may contain, mature over the next three and one-half years as follows:

Fair Market Value 6/30/2022	Investment Maturities (in months) 0-12	13-24	25-48
$ 4,324,769	989,823	1,465,886	1,869,060

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of an investment of a single issuer. Fixed-income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. Management believes that obligations of the U.S. government sponsored enterprise (GSE) bonds, such as Fannie Mae (FNMA), Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal Farm Credit Bank or those explicitly guaranteed by the U.S. government, are considered to have minimal concentrations of credit risk.

Investment in Government Securities

The College has $4.5 million in US Government sponsored enterprise bonds, with staggered maturities, in $500,000 amounts. The original maturities ranged from 12 to 48 months. The College has assessed the effects of Statement No. 72 on its investments, and reports investments at fair value. Fair value is defined in the accounting standards as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities reported at fair value are organized into a hierarchy based on the levels of inputs observable in the marketplace that are used to measure fair value. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

The College measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

Level 1 – Prices based on quoted prices in active markets for identical assets or liabilities;

Level 2 – Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;

Level 3 – Unobservable inputs for an asset or liability.

At June 30, 2022, the College had the following investments:

Investments by fair value level	Total	Level 1	Level 2	Level 3
Fixed income securities				
U.S. Government Agency Securities	$ 4,324,769	$ 4,324,769	N/A	N/A

Note 4. Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenses made according to sponsored agreements. The major components of accounts receivable as of June 30, 2022 were as follows:

Accounts Receivable	Amount
Grants and contracts	1,370,643
Due from other agencies	1,313,919
State Appropriations	1,566,821
Tuition and fees	742,134
Auxiliary support	136,031
Other	25,152
Less Allowance	(14,826)
Net accounts receivable	5,139,874

Note 5. Leases Receivable

The College leases a portion of the Transitional Studies Building (TSB) to the Washington State Employment Security Department and the term expires on April 30, 2024. Payments are monthly based on the contract terms and conditions. Leases receivable are reported net of amortization on the Statement of Net Position. The lease receivables are reported at net present value using the State of Washington's incremental interest rate unless otherwise noted in the contract term. Revenue recognized under this lease agreement during the year ended June 30, 2022 was as follows:

Leases Receivable		Revenue recognized during FY2022	
Basis	Term (through)	Lease Revenue	Interest Revenue
TSB Building	April 2024	$ 142,782	$ 3,051

Note 6. Inventories

Merchandise inventories for the College Bookstore at year-end, stated at cost using the first-in, first-out (FIFO) inventory valuation method were $128,043 at June 30, 2022.

Note 7. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2022 is presented as follows. The current year net depreciation expense was $2,784,996.

	June 30, 2021	Additions	Retirements	June 30, 2022
Capital assets				
Land	$ 9,029,578			9,029,578
Construction in progress	129,349	1,398,671		1,528,020
Total capital assets, non-depreciable	9,158,927	1,398,671	-	10,557,598
Buildings	98,431,429			98,431,429
Infrastructure	4,774,960			4,774,960
Furniture, fixtures and equipment	5,434,117	297,013	41,821	5,689,309
Library resources	2,291,992	-		2,291,992
Total capital assets, depreciable	110,932,498	297,013	41,821	111,187,690
Less accumulated depreciation				
Buildings	29,806,385	2,200,895		32,007,280
Infrastructure	1,217,905	170,919		1,388,824
Furniture, fixtures and equipment	3,724,751	462,088	54,713	4,132,126
Library resources	2,278,135	5,807		2,283,942
Total accumulated depreciation	37,027,176	2,839,709	54,713	39,812,173
Capital assets, net	$ 83,064,249	$ (1,144,025)	$ (12,892)	$ 81,933,115

Lease assets as of June 30, 2022 and lease asset activity for the year ended June 30, 2022 are summarized below:

	June 30, 2021	Additions	Retirements	June 30, 2022
Leased assets				
Leased Buildings	-	248,209		248,209
Total leased assets	-	248,209	-	248,209
Less accumulated amortization				
Accum Amort. Leased Buildings	-	17,729		17,729
Total accumulated amortization	-	17,729	-	17,729
Leased assets, net	$ -	$ 230,480	$ -	$ 230,480

Note 8. Accounts Payable and Accrued Liabilities

At June 30, 2022, accounts payable and accrued liabilities were as follows:

Accounts Payable and Accrued Liabilities	Amount
Salaries and wages	$ 633,297
Benefits	383,009
Utilities	68,810
All Other	1,774,049
Total Accounts Payable & Accrued Liabilities	2,859,165

Note 9. Unearned Revenue

Unearned revenue is comprised of receipts which have not yet met revenue recognition criteria, at June 30, 2022, as follows:

Unearned Revenue	Amount
Tuition and fees	$ 156,789
Auxiliary enterprises	30,058
Total Unearned Revenue	186,848

Note 10. Risk Management

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

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

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

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. Payments made for claims from July 1, 2021 through June 30, 2022, were $25,358.

Note 11. Compensated Absences

At termination of employment, employees may receive a cash payment 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 may be used for future medical expenses and insurance purposes. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled $919,986 and accrued sick leave totaled $839,203 at June 30, 2022.

An estimated amount of $153,036 based on a three-year average payout, is accrued as a current liability. The remaining amount of accrued annual and sick leave are categorized as non-current liabilities.

Note 12. Leases Payable

The College entered into a lease with the Centralia College Foundation for the use of the Southwest Washington Flexible Trades Building (SWFT) on April 1, 2022. The lease liabilities are reported at net present value using the

State of Washington's incremental borrowing rate unless otherwise noted in the contract term. The amount of the lease payments for FY22 were $18,000. This lease has a 42-month term and expires on September 30, 2025.

As of June 30, 2022, the future minimum lease payments under this right-to-use lease consists of the following:

As of June 30	Principal	Interest	Total
2023	$70,234	$1,766	$72,000
2024	70,862	1,138	72,000
2025	71,495	505	72,000
2026	17,973	27	18,000
Total minimum lease payments	$230,564	$3,436	$234,000

Note 13. Notes Payable

In 2017, the College obtained financing in order to cover the student's share of the TransAlta Commons through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $2,595,000 at a premium of $415,668. The premium is to be amortized over the twenty-year term of the loan, at an annual amount of $20,783. The interest rate charged is approximately 3.4%.

The students assessed themselves a mandatory fee to service this debt. Student fees related to the COP are accounted for in a dedicated fund, which is used to pay principal and interest, not coming out of the general operating budget.

The College's debt service requirements for this note agreement for the next five years and thereafter are as follows in Note 14.

Note 14. Annual Debt Service Requirements

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

	Certificates of Participation		
Fiscal year	**Principal**	**Interest**	**Total**
2023	100,000	109,750	209,750
2024	105,000	104,750	209,750
2025	110,000	99,500	209,500
2026	120,000	91,000	211,000
2027-2029	390,000	248,000	638,000
2030-2034	795,000	266,750	1,061,750
2034-2037	575,000	58,250	633,250
Total	**$ 2,195,000**	**$ 978,000**	**$ 3,173,000**

Note 15. Schedule of Long-term Liabilities

Long Term Debt Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Certificates of Participation	2,290,000	0	95,000	2,195,000	100,000
Certificate of Participation - Amortized Premium	330,804	0	20,783	310,021	20,783
Right-to-use Lease	0	230,564	0	230,564	70,234
Compensated Absences	1,918,979	980,329	1,140,119	1,759,189	153,036
Total OPEB Liabilities	13,246,214	5,033,590	5,297,957	12,981,846	214,301
Net pension liability	3,476,427	2,273,728	4,136,490	1,613,665	28,587
	21,262,424	8,518,211	10,690,349	19,090,285	586,941

Note 16. Retirement Plans

A. General

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

Basis of Accounting

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

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

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

Aggregate Pension Amounts - All Plans (including SBRP)

Net pension assets	$5,247,407
Net Pension liabilities	1,613,665
Deferred outflows of resources related to pensions	2,418,558
Deferred inflows of resources related to pensions	7,374,270
Pension expense	(1,619,354)

Department of Retirement Systems

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

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

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

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan. Administration of the PERS and TRS plans is funded by an employer rate of 0.18 percent of employee salaries.

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

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

Higher Education

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

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

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

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

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

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

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

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

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

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

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

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

Contributions

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

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

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

Plan Description (TRS)

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

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

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

Benefits Provided

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

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

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

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

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

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

Contributions

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

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

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

	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rates at close of FY22	10.25%	10.25%	14.42%	14.42%
Actual Contributions	235,196	394,204	69,817	89,460

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

Actuarial Assumptions

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

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

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

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

The Office of the State Actuary (OSA) selected a 7.40 percent long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the WSIB. The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in: Expected annual return, Standard deviation of the annual return and, Correlations between the annual returns of each asset class with every other asset class.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
Total	**100%**	

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

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

Discount Rate

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

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

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

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

Pension Plan	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1	821,525	482,241	186,351
PERS 2/3	(1,387,179)	(4,869,334)	(7,736,891)
TRS 1	183,244	95,602	19,119
TRS 2/3	65,927	(378,071)	(740,261)

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

Pension Liabilities/(Assets)

At June 30, 2022, the College reported a total pension liability/(asset) of $(4,669,561) for its proportionate share of the net pension liabilities/(assets) as follows:

Pension Plan	Liability/(Asset)
PERS 1	$482,245
PERS 2/3	$(4,869,336)
TRS 1	$95,601
TRS 2/3	$(378,071)

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

Pension Plan	2020	2021	Change
PERS 1	0.043075%	0.039488%	-0.003587%
PERS 2/3	0.054326%	0.048881%	-0.005445%
TRS 1	0.018576%	0.014199%	-0.004377%
TRS 2/3	0.016528%	0.013754%	-0.002774%

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

Pension Expense

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

Pension Plan	Pension Expense
PERS 1	(216,010)
PERS 2/3	(1,085,293)
TRS 1	(130,644)
TRS 2/3	(41,240)
Total	**(1,473,187)**

Deferred Outflows and Inflows of Resources Related to Pensions

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

	PERS 1	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	535,126
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	235,196	-
Totals	**$ 235,196**	**$ 535,126**

	PERS 2/3	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	236,497	59,693
Difference between expected and actual earnings of pension plan investments	-	4,069,621
Changes of assumptions	7,116	345,803
Changes in College's proportionate share of pension liabilities	184,890	127,896
Contributions subsequent to the measurement date	394,204	-
Totals	**$ 822,706**	**$ 4,603,013**

	TRS 1			
		Deferred Outflows		Deferred Inflows
Difference between expected and actual experience		-		-
Difference between expected and actual earnings of pension plan investments		-		143,325
Changes of assumptions		-		-
Changes in College's proportionate share of pension liabilities		-		-
Contributions subsequent to the measurement date		69,817		-
Totals	**$**	**69,817**	**$**	**143,325**

	TRS 2/3			
		Deferred Outflows		Deferred Inflows
Difference between expected and actual experience		117,456		3,060
Difference between expected and actual earnings of pension plan investments		-		440,784
Changes of assumptions		23,517		19,868
Changes in College's proportionate share of pension liabilities		35,189		13,879
Contributions subsequent to the measurement date		89,460		-
Totals	**$**	**265,622**	**$**	**477,591**

The $788,677 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2022.

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

Year ended June 30:	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2023	(141,755)	(1,095,174)	(37,981)	(95,339)
2024	(129,899)	(1,022,056)	(34,755)	(87,970)
2025	(122,825)	(982,054)	(32,892)	(81,938)
2026	(140,647)	(1,053,215)	(37,698)	(94,604)
2027	-	(15,045)	-	19,462
Thereafter	-	(6,968))	-	38,960
Total Net Deferred (Inflows)/Outflows	**$(535,126)**	**$(4,174,511)**	**$(143,325)**	**$ (301,429)**

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 plans with a supplemental defined benefit plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. The College participates in this plan as authorized by chapter 28B.10 RCW and reports its proportionate share of the net pension liability. House Bill 1661, effective fiscal year 2021, created separate Supplemental Retirement Plan (SRP) funds by institution that met the definition of a trust or equivalent arrangement. As a result, this is the first year these plans will be reported under GASB Statement No. 67/68. Prior to this, the SRP was reported under GASB Statement No. 73.
Benefits Provided. The State Board Supplemental Retirement Plans (SRP) provide retirement, disability, and death benefits to eligible members.

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

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

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

Actuarial Assumptions

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

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

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

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

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

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

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

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

Discount Rate

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

Contributions

Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2022 were each $829,959.

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, 2022 was (146,167).

Plan Membership

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

Number of Participating Members

District	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
Centralia College	10	10	67	87

Net Pension Liability/ (Asset)

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

Development of Net Pension Liability	
	Amount
Service Cost	$ 22,709
Interest	76,507
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	338,095
Changes in Assumptions	109,825
Benefit Payments	(45,434)
Change in Proportionate Share of NPL	(12,071)
Other	-
Net Change in Total Pension Liability	489,631
Total Pension Liability - Beginning	1,056,364
Total Pension Liability - Ending	**$ 1,545,995**
Plan Fiduciary Net Position	
Contributions - Employer	$ 12,553
Contributions - Member	-
Net Investment Income	784
Benefit Payments	-
Administrative Expense	-
Other	-
Net Change in Plan Fiduciary Net Position	**13,337**
Fiduciary Net Position-Beginning	496,840
Fiducairy Net Position-Ending (b)	**510,177**
Net Pension Liability (Asset) -- Ending (a)-(b)	**$ 1,035,818**

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

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

1% Decrease (6.4%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
$ 1,204,144	$ 1,035,820	$ 891,456

Deferred Outflows and Inflows of Resources Related to Pensions

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 403,587	$ 461,875
Changes of Assumptions	365,853	621,278
Changes in College's proportionate share of pension liability	227,262	473,699
Differences between projected and actual earnings on Plan Investments	28,511	58,363
Total	**$ 1,025,212**	**$ 1,615,215**

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

State Board Supplemental Retirement Plan	
2023	(150,989)
2024	(126,155)
2025	(88,888)
2026	(82,932)
2027	(189,870)
Thereafter	48,832

Note 17. Other Post-Employment Benefits

Plan Description

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

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

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

Employees Covered by Benefit Terms

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

Summary of Plan Participants
As of June 30, 2020

Active Employees*	285
Retirees Receiving Benefits**	120
Retirees Not Receiving Benefits***	13
Total Active Employees and Retirees	418

*Reflects active employees eligible for PEBB program participation as of June 30, 2020.
**Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.
***This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future. No benefits are allowed to them unless they choose to join in the future. In order to do so, they must show proof of continuous medical coverage since their separation of employment with the State of Washington that meets the requirements set forth in Washington Administrative Code 182-12-205.

Benefits Provided

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

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

Contribution Information

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

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

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

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

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

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

Total OPEB Liability

As of June 30, 2022, the state reported a total OPEB liability of $6.472 billion. The College's proportionate share of the total OPEB liability is $12,981,846. This liability was determined based on a measurement date of June 30, 2021.

Actuarial Assumptions

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

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

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

Mortality rates were developed using the Society of Actuaries' Pub.H-2010 mortality rates which vary by member status (e.g. active, retiree, or survivor) as the base table. The Office of the State Actuary applied 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	6/30/2020
Actuarial Measurement Date	6/30/2021
Actuarial Cost Method	Entry Age
Amortization Method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset Valuation Method	N/A - No Assets

Discount Rate

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

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

<u>Changes in Total OPEB Liability</u>

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

Centralia College		
Proportionate Share (%)		**0.2005948675%**
Service Cost	$	648,846
Interest Cost		280,427
Differences Between Expected and Actual Experienc		-
Changes in Assumptions		119,814
Changes of Benefit Terms		-
Benefit Payments		(213,647)
Changes in Proportionate Share		(1,099,808)
Other		-
Net Change in Total OPEB Liability		(264,368)
Total OPEB Liability - Beginning		13,246,215
Total OPEB Liability - Ending	**$**	**12,981,847**

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

Discount Rate Sensitivity		
1% Decrease	**Current Discount Rate**	**1% Increase**
$ 15,728,429	$ 12,981,847	$ 10,846,400

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of the College, calculated using the health care trend rates range of 2-11 percent reaching an ultimate range of 4.3 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (1-10 percent) or 1 percentage point higher (3-12 percent) than the current rate:

Health Care Cost Trend Rate Sensitivity		
1% Decrease	**Current health care cost trend rate**	**1% Increase**
$ 10,473,444	$ 12,981,847	$ 16,371,546

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

For the year ending June 30, 2022, the College will recognize OPEB expense of $345,736. OPEB expense consists of the following elements:

Centralia College		
Proportionate Share (%)		**0.2005948675%**
Service Cost	$	648,846
Interest Cost		280,427
Amortization of Differences Between Expected and Actual Experience		37,233
Amortization of Changes in Assumptions		(382,668)
Changes of Benefit Terms		-
Amortization of Changes in Proportion		(238,102)
Other Changes to Net Position		-
Total OPEB Expense	**$**	**345,736**

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

Centralia College				
Proportionate Share (%)		**0.2005948675%**		
Deferred Outflows/Inflows of Resources		**Deferred Outflows**		**Deferred Inflows**
Difference between expected and actual experience	$	222,061	$	50,254
Changes in assumptions		826,749		2,353,667
Transactions subsequent to the measurement date		214,302		-
Changes in proportion		258,120		1,786,106
Total Deferred Outflows/Inflows	**$**	**1,521,232**	**$**	**4,190,027**

Amounts reported as deferred outflow of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense in subsequent years for the College as follows:

Proportionate Share (%)		**0.2005948675%**
2023	$	(583,537)
2024	$	(583,537)
2025	$	(583,537)
2026	$	(583,533)
2027	$	(300,787)
Thereafter	$	(248,166)

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

Proportionate Share (%) 2020		**0.2187579156%**
Proportionate Share (%) 2021		**0.2005948675%**
Total OPEB Liability - Ending 2020	$	13,246,215
Total OPEB Liability - Beg 2021 (chg in prop)		12,146,407
Total OPEB Liability Change in Proportion		(1,099,808)
Total Deferred Inflows/Outflows - 2020		(1,752,195)
Total Deferred Inflows/Outflows - 2021 (chg in prop)		(1,606,712)
Total Deferred Inflows/Outflows Change in Proportion		145,483
Total Change in Proportion	**$**	**(1,245,291)**

Note 18. Operating Expenses by Program

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

Expenses by Functional Classification		
Instruction	$	9,485,700
Academic Support Services		3,336,330
Student Services		7,125,848
Institutional Support		6,306,646
Operations and Maintenance of Plant		2,542,461
Scholarships and Other Student Financial Aid		6,172,788
Auxiliary enterprises		1,530,240
Depreciation and Amortization		2,802,727
Total operating expenses	**$**	**39,302,740**

Note 19. Related-Party Transactions

Based on their inter-relationship, the College and the Foundation have a number of transactions with each other during the course of the year. Under a formal agreement between the College and Foundation, the College provides printing, postage, office space, staff services and supplies, which the value totaled a net of $174,130 for 2022, while the Foundation provides fundraising and financial services.

The Foundation distributed approximately $641,631 to the College for restricted and unrestricted purposes in 2022. Inter-entity transactions and balances between the College and Foundation are not eliminated for financial statement presentation purposes.

Note 20. Commitments and Contingencies

The College has commitments of $4.99 million for the multi-purpose field that is nearing completion. This project is primarily student funded but will require $1 million of local funds to complete the project.

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.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Pension Plan Information

Cost Sharing Employer Plans

Schedule of Centralia 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	0.042578%	$ 2,144,887	$ 4,268,619	50.25%	61.19%
2015	0.041307%	$ 2,160,741	$ 4,337,289	49.82%	59.10%
2016	0.041476%	$ 2,227,448	$ 4,607,963	48.34%	57.03%
2017	0.041015%	$ 1,946,195	$ 4,894,118	39.77%	61.24%
2018	0.037051%	$ 1,654,710	$ 4,802,607	34.45%	63.22%
2019	0.040759%	$ 1,567,332	$ 5,915,133	26.50%	67.12%
2020	0.043075%	$ 1,520,780	$ 6,593,770	23.06%	68.64%
2021	0.039488%	$ 482,245	$ 5,950,150	8.10%	88.74%
2022					
2023					

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

Cost Sharing Employer Plans

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

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

Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	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	0.045865%	$ 927,097	$ 3,925,044	23.62%	93.29%
2015	0.045305%	$ 1,618,774	$ 4,021,138	40.26%	89.20%
2016	0.046496%	$ 2,341,053	$ 4,338,193	53.96%	85.82%
2017	0.047747%	$ 1,658,979	$ 4,681,195	35.44%	90.97%
2018	0.045589%	$ 778,390	$ 4,730,298	16.46%	95.77%
2019	0.051510%	$ 500,336	$ 5,838,568	8.57%	97.77%
2020	0.054326%	$ 694,799	$ 6,512,238	10.67%	97.22%
2021	0.048881%	$ (4,869,336)	$ 5,861,745	-83.07%	120.29%
2022					
2023					

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

Cost Sharing Employer Plans

Schedule of Centralia 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	0.013515%	$ 398,619	$ 523,662	76.12%	68.77%
2015	0.012868%	$ 407,677	$ 546,996	74.53%	65.70%
2016	0.012498%	$ 426,711	$ 570,355	74.81%	62.07%
2017	0.013945%	$ 421,594	$ 707,857	59.56%	65.58%
2018	0.016239%	$ 474,274	$ 795,053	59.65%	66.52%
2019	0.017628%	$ 436,434	$ 1,112,604	39.23%	70.37%
2020	0.018576%	$ 447,456	$ 1,263,703	35.41%	70.55%
2021	0.014199%	$ 95,601	$ 1,074,354	8.90%	91.41%
2022					
2023					

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

Cost Sharing Employer Plans

Schedule of Centralia College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	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	0.010603%	$ 34,247	$ 452,004	7.58%	96.81%
2015	0.010172%	$ 85,832	$ 475,173	18.06%	92.48%
2016	0.010351%	$ 142,150	$ 513,872	27.66%	88.72%
2017	0.011616%	$ 107,209	$ 637,270	16.82%	93.14%
2018	0.013208%	$ 59,451	$ 717,901	8.28%	96.88%
2019	0.015496%	$ 93,368	$ 1,038,432	8.99%	96.36%
2020	0.016528%	$ 253,867	$ 1,184,806	21.43%	91.72%
2021	0.013754%	$ (378,071)	$ 1,057,416	-35.75%	113.72%
2022					
2023					

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

Cost Sharing Employer Plans

Schedule of Contributions

Public Employees' Retirement System (PERS) Plan 1

Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 188,463	$ 188,463	$ -	$ 4,268,619	4.42%
2015	$ 189,844	$ 189,844	$ -	$ 4,337,289	4.38%
2016	$ 235,208	$ 235,208	$ -	$ 4,607,973	5.10%
2017	$ 246,716	$ 246,716	$ -	$ 4,894,118	5.04%
2018	$ 246,986	$ 246,986	$ -	$ 4,802,607	5.14%
2019	$ 292,803	$ 292,803	$ -	$ 5,915,133	4.95%
2020	$ 311,606	$ 311,606	$ -	$ 6,593,770	4.73%
2021	$ 295,871	$ 295,871	$ -	$ 5,950,150	4.97%
2022	$ 235,196	$ 235,196	$ -	$ 6,238,554	3.77%
2023					

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

Cost Sharing Employer Plans

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 193,752	$ 193,752	$ -	$ 3,925,044	4.94%
2015	$ 201,813	$ 201,813	$ -	$ 4,021,139	5.02%
2016	$ 268,419	$ 268,419	$ -	$ 4,338,193	6.19%
2017	$ 291,635	$ 291,635	$ -	$ 4,681,195	6.23%
2018	$ 354,295	$ 354,295	$ -	$ 4,730,298	7.49%
2019	$ 421,220	$ 421,220	$ -	$ 5,838,568	7.21%
2020	$ 501,573	$ 501,573	$ -	$ 6,512,238	7.70%
2021	$ 464,251	$ 464,251	$ -	$ 5,861,745	7.92%
2022	$ 394,204	$ 394,204	$ -	$ 6,187,223	6.37%
2023					

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

Cost Sharing Employer Plans

Schedule of Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 26,725	$ 26,725	$ -	$ 523,662	5.10%
2015	$ 28,796	$ 28,796	$ -	$ 546,996	5.26%
2016	$ 30,313	$ 30,313	$ -	$ 570,355	5.31%
2017	$ 48,801	$ 48,801	$ -	$ 707,857	6.89%
2018	$ 62,308	$ 62,308	$ -	$ 795,053	7.84%
2019	$ 87,881	$ 87,881	$ -	$ 1,112,604	7.90%
2020	$ 97,449	$ 97,449	$ -	$ 1,263,703	7.71%
2021	$ 80,763	$ 80,763	$ -	$ 1,074,354	7.52%
2022	$ 69,817	$ 69,817	$ -	$ 1,110,179	6.29%
2023					

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

Cost Sharing Employer Plans

Schedule of Contributions

Teachers' Retirement System (TRS) Plan 2/3

Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 26,017	$ 26,017	$ -	$ 452,004	5.76%
2015	$ 27,033	$ 27,033	$ -	$ 475,173	5.69%
2016	$ 41,457	$ 41,457	$ -	$ 513,872	8.07%
2017	$ 42,800	$ 42,800	$ -	$ 637,270	6.72%
2018	$ 55,235	$ 55,235	$ -	$ 717,901	7.69%
2019	$ 81,334	$ 81,334	$ -	$ 1,038,432	7.83%
2020	$ 96,148	$ 96,148	$ (0)	$ 1,184,806	8.12%
2021	$ 86,180	$ 86,180	$ -	$ 1,057,416	8.15%
2022	$ 89,460	$ 89,460	$ -	$ 1,110,179	8.06%
2023					

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

State Board Supplemental Defined Benefit Plans

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

	2017	2018	2019	2020	2021	2022
Total Pension Liability						
Service Cost	$ 92,089	$ 65,393	$ 49,345	$ 70,983	$ 71,956	$ 22,709
Interest	59,742	60,096	59,687	79,848	51,179	76,507
Changes of benefit terms	-	-	-	-	-	-
Differences between expected & actual experience	(430,730)	(177,742)	112,532	168,241	(461,755)	338,095
Changes of assumptions	(101,653)	(60,130)	211,592	449,535	(833,380)	109,825
Benefit Payments	(15,348)	(22,213)	(31,467)	(36,039)	(30,680)	(45,434)
Change in Proportionate Share		6,855	19,004	318,011	(701,780)	(12,071)
Other	(331)	-	-	-	-	5
Net Change in Total **Pension Liability**	**(396,231)**	**(127,741)**	**420,693**	**1,050,579**	**(1,904,460)**	**489,636**
Total Pension Liability - Beginning	2,013,517	1,617,286	1,489,545	1,910,238	2,960,819	1,056,359
Total Pension Liability - Ending (a)	**$ 1,617,286**	**$ 1,489,545**	**$ 1,910,238**	**$ 2,960,819**	**$ 1,056,359**	**$ 1,545,995**
Plan Fiduciary Net Position**						
Contributions - Employer	n/a	n/a	n/a	n/a	$ 10,103	$ 12,553
Contributions - Employer	n/a	n/a	n/a	n/a	-	-
Net Investment Income	n/a	n/a	n/a	n/a	126,462	784
Benefit Payments	n/a	n/a	n/a	n/a	-	-
Administrative Expense	n/a	n/a	n/a	n/a	-	-
Other	n/a	n/a	n/a	n/a	-	(14)
Net Change in Plan Fiduciary Net Position					**$ 136,565**	**$ 13,323**
Plan Fiduciary Net Position-Beginning					360,289	496,854
Plan Fiduciary Net Position-Ending (b)					**$ 496,854**	**$ 510,177**
Plan's Net Pension Liability (Asset) - Ending (a)-(b)					**$ 559,505**	**$ 1,035,818**
College's Proportion of the Pension Liability	1.701511%	1.708723%	1.730000%	2.020000%	1.540000%	1.506932%
Covered-employee payroll	$ 9,196,442	$ 9,936,416	$ 9,353,350	$ 9,648,205	$ 9,611,670	$ 9,597,771
Total Pension Liability as a percentage of covered-	0.175859968	0.149907673	0.204230356	0.306877715	0.109903794	0.161078546

Schedule of Employer Contributions State Board Supplemental Retirement Plan Centralia College Fiscal Year Ended June 30, 2022				
		2021*		2022
Statutorily determined contributions	$	12,495	$	12,477
Actual contributions in relation to the above		11,829		12,322
Contribution deficiency (excess)	$	(666)	$	(155)
Covered Payroll	$	9,611,670	$	9,597,771
Contribution as a % of covered payroll		0.12%		0.13%

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

*The PPMS table for the 6B 2020 payroll was not updated by State Board for the new HERP fee rate which resulted in an overpayment. The change was made to the system and less was collected in FY21 to cover that overpayment.

State Board Supplemental Defined Benefit Plans

Notes to Required Supplementary Information

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

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

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
Other Postemployment Benefits Information

Schedule of Changes in Total OPEB Liability and Related Ratios Measurement Date of June 30 2022					
Total OPEB Liability	**2022**	**2021**	**2020**	**2019**	**2018**
Service cost	$ 648,846	$ 549,678	$ 521,297	$ 686,129	$ 873,915
Interest cost	280,427	459,815	452,195	471,710	409,347
Difference between expected and actual experience	-	(70,462)		430,579	-
Changes in assumptions	119,814	298,062	842,105	(3,003,771)	(1,996,803)
Changes in benefit terms	-	-		-	-
Benefit payments	(213,647)	(218,925)	(206,852)	(199,227)	(208,610)
Changes in proportionate share	(1,099,808)	(178,114)	291,493	(301,906)	-
Other	-	(468,355)		-	-
Net Changes in Total OPEB Liability	$ (264,368)	$ 371,699	$ 1,900,238	$ (1,916,486)	$ (922,151)
Total OPEB Liability - Beginning	$13,246,214	$ 12,874,515	$ 10,974,277	$ 12,890,763	$ 13,812,914
Total OPEB Liability - Ending	$12,981,846	$ 13,246,214	$ 12,874,515	$ 10,974,277	$ 12,890,763
College's proportion of the Total OPEB Liability (%)	0.20059487%	0.21875792%	0.22182680%	0.21608721%	0.22126900%
Covered-employee payroll	$16,738,546	$ 16,860,248	$ 15,686,487	$ 14,940,507	$ 14,737,524
Total OPEB Liability as a percentage of covered-employee payroll	77.556593%	78.564764%	82.073923%	73.453177%	87.468987%

*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.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION