
# Centralia College 2023 Financial Report

**Centralia College**
600 Centralia College Boulevard
Centralia, WA
(360) 736-9391

The oldest continuously operated community college in Washington State, since 1925

# Centralia College
# June 30, 2023
# Financial Report

## Table of Contents



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

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Centralia College
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(360) 623-8401

# CC Student Earns Prestigious WSU Scholarship

Centralia College Running Start student Ismael Allende has been awarded a four-year, full tuition scholarship from Washington State University through its Regents Scholars Program.


Allende received the highest level of scholarship and was named a Distinguished Regents Scholar. Only 12 students received this honor from 323 nominees.

Allende is a currently a Running Start student at Centralia College from Rochester High School. He is involved in student government at Centralia College, serving as the Coordinator for Diversity and Equity, and is active in the Upward Bound program, a federal TRIO program that provides academic support and college prep for area high school students Before taking a position in student leadership, Allende worked in the campus bookstore.

Allende plans to graduate from Centralia College with an associated degree in June. He plans to study engineering and computer science at WSU in the fall.

## Letter from the President

CENTRALIA COLLEGE
PRESIDENT'S OFFICE

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

June 3, 2024

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 2023 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 finished the financial statements according to the NWCCU accreditation standards which require our financial reporting to be done within 15 months after year end close. Given the challenges we faced this year with turnover of key business office staff due to retirements and promotions, we were able to produce a financial report in keeping with the college's goals for sustainable and responsible budgeting and fiscal accountability and stay in compliance with the NWCCU standards.

Our 2023 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

Bob Mohrbacher, President

Tariq Qureshi

Tariq Qureshi, VP, Finance & Administration

**Signature:** Bob Mohrbacher
Bob Mohrbacher (Jun 3, 2024 15:13 PDT)

**Email:** bob.mohrbacher@centralia.edu

**Signature:** Tariq Qureshi

**Email:** tariq.qureshi@centralia.edu

# Board of Trustees and Administrative Officers

# Independent Auditor's Report on Financial Statements

**Office of the Washington State Auditor**
**Pat McCarthy**

June 26, 2024

Board of Trustees
Centralia College
Centralia, Washington

## Report on Financial Statements

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

We are issuing this report for inclusion in the College's annual financial report package, which will be issued by the College under the College's own cover.

This report is in addition to our regular financial statement audit report, which will be available on our website and includes the College's basic financial statements.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.*

# 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, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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*.

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

### Basis for Opinions

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

## Matters of Emphasis

As discussed in Note 1, the financial statements of the 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, 2023, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, in 2023, the College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 100, *Accounting Changes and Error Corrections*. 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 table of contents 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 Administrative Officers 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 June 26, 2024, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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

Pat McCarthy, State Auditor

Olympia, WA

June 26, 2024

# Management 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, 2023 with comparative information for the year ended June 30, 2022. 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 FY23.

**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 various 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 4,843 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 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, 2023 and 2022, follows:

**Condensed Statement of Net Position**

| As of June 30 (in thousands) | 2023 | *As restated* 2022 |
|---|---|---|
| **Assets** | | |
| Current assets | $ 15,923 | $ 18,499 |
| Capital assets, net | 87,123 | 81,933 |
| Other assets, non-current | 9,160 | 10,746 |
| **Total Assets** | 112,206 | 111,178 |
| **Deferred Outflows of Resources** | 5,570 | 3,939 |
| **Liabilities** | | |
| Current liabilities | 4,219 | 2,691 |
| Other liabilities, non-current | 14,787 | 18,503 |
| **Total Liabilities** | 19,006 | 21,194 |
| **Deferred Inflows of Resources** | 11,982 | 11,826 |
| **Net Position** | | |
| Net Investment in Capital Assets | 84,738 | 79,428 |
| Restricted Expendable | | |
| Net Pension Asset | 1,846 | 5,247 |
| Other | 1,555 | 2,029 |
| Unrestricted | (1,351) | (4,607) |
| **Total Net Position** | $ 86,788 | $ 82,097 |

The FY22 Statement of Net Position has been restated due to a correction to current liabilities of $941,531 with an offset in the same amount increasing FY22 total net position. This correction is the result of a review of GASB 84 as well as the use of funds 840 and 841 in the Legacy system, their conversion to ctcLink and the way tuition is recorded in both systems. Additional information is available in Note 2 of the accompanying notes to the financial statements.

Current assets consist of cash, investments, accounts receivable and inventories. The $2.58 million decrease from FY22 to FY23 was the result of: 1) Cash decreased $4.62 million primarily as a result of investing in $4.72 million in U.S. Government sponsored enterprise bonds. 2) The current investments increased by $1.48 million as bonds moved from non-current to current investments. This is a natural progression of our investment strategy of laddering the purchase of new bonds. 3) Accounts receivable increased $550K. Accounts receivable can fluctuate from year to year. For FY23 when compared to FY22, state appropriations were $885K more and auxiliary support was $384K more while tuition and fees were $581K less.

Capital assets including land and construction in progress increased by a net of $5.19 million in 2023. Major factors include a construction in progress net increase of $1.55 million with increased construction costs of $2.77 million, primarily for the Teacher Education and Family Development (TEFD) building, and the completion of the multi-purpose field which moved $1.21 million of construction in progress to infrastructure. Infrastructure - improvement other than buildings increased $5.76 million, net of depreciation, with the capitalization of the completed multi-purpose field. Buildings decreased $2.2 million due to depreciation expense. 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, decreased by $1.59 million in FY23. This decrease is largely a result of a decrease of $3.4 million in 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 of $2.3 million in U.S. Government sponsored enterprise bonds as part of the College investment procedure, and a decrease in restricted cash of $183K.

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 increase 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 $3.94 million in FY22 and $5.57 million in FY23 of pension and postemployment-related deferred outflows.

Similarly, the minor increase in deferred inflows in FY23 reflects the difference between actual and projected investment earnings on the state's pension plans and other postemployment benefits and also include lease receivables. The College recorded $11.83 million in FY22 and $11.98 million in FY23 of pension and postemployment-related deferred inflows.

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 FY23 by $1.53 million with the largest changes being the fund 840 and 841 correction of $941K and an increase of $599K in unearned revenue due to increased summer and fall tuition and ECEAP grant revenue.

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 $3.72 million decrease in non-current liabilities is primarily attributed to OPEB liability. The main differences from FY22 to FY23 are a $4.15 million decrease in total OPEB liability and a $538K increase in 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.

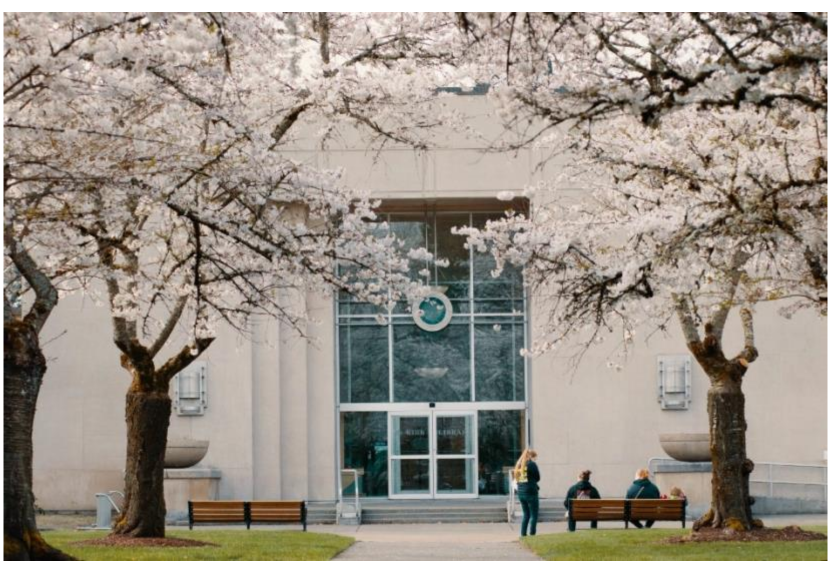
**Unrestricted net position** – These represent all the other resources available to the College for general and educational obligations to meet expenses for any lawful purpose. Unrestricted net position is not subject to externally imposed stipulations; however, the College has designated the majority 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) | 2023 | *As restated* 2022 |
|---|---|---|
| Net Investment in capital assets | $ 84,738 | $ 79,428 |
| Restricted expendable | | |
| Net Position asset | 1,846 | 5,247 |
| Other | 1,555 | 2,029 |
| Unrestricted (deficit) | (1,351) | (4,607) |
| Total Net Position | $ 86,788 | $ 82,097 |

## 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, 2023 and 2022, follows:

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

| As of June 30 (in thousands) | 2023 | *As restated* 2022 |
|---|---|---|
| **Operating Revenues** | | |
| Student tuition and fees, net | $ 3,414 | $ 2,712 |
| Auxiliary enterprise sales | 938 | 698 |
| Grants and contracts | 16,877 | 14,472 |
| Other operating revenues | 153 | 37 |
| **Total operating revenues** | 21,382 | 17,919 |
| **Non-Operating Revenues** | | |
| State appropriations | 18,708 | 16,312 |
| Federal Pell grant revenue | 2,643 | 2,314 |
| Federal non-operating revenue | 3,916 | 4,106 |
| Other non-operating revenues | 138 | (224) |
| **Total non-operating revenues** | 25,405 | 22,508 |
| **Total revenues** | 46,787 | 40,427 |
| | | |
| **Operating Expenses** | | |
| Salaries and Benefits | 27,434 | 22,322 |
| Scholarships | 4,975 | 6,173 |
| Depreciation | 2,953 | 2,803 |
| Other operating expenses | 9,478 | 8,005 |
| **Total operating expenses** | 44,840 | 39,303 |
| **Non-Operating Expenses** | | |
| Building fee remittance | 581 | 474 |
| Other non-operating expenses | 263 | 239 |
| **Total non-operating expenses** | 844 | 713 |
| **Total expenses** | 45,684 | 40,016 |
| | | |
| **Excess (deficiency) before capital contributions** | 1,103 | 411 |
| **Capital appropriations and contributions** | 3,588 | 1,069 |
| **Change in Net Position** | 4,691 | 1,480 |
| | | |
| **Net Position** | | |
| Net position, beginning of year | 82,097 | 80,617 |
| **Net Position, end of year** | $ 86,788 | $ 82,097 |

The net position, end of year on the FY22 Statement of Revenue, Expenses and Changes in Net Position has been restated to $82,097,341. This correction is the result of a review of GASB 84 as well as the use of funds 840 and 841 in the Legacy system, their conversion to ctcLink and the way tuition is recorded in both systems. Additional information is available in Note 2 of the accompanying notes to the financial statements.

**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 FY23, the SBCTC allocated funds to each of the 34 colleges based on three-year average FTE actuals. This method of allocation will continue in FY24.

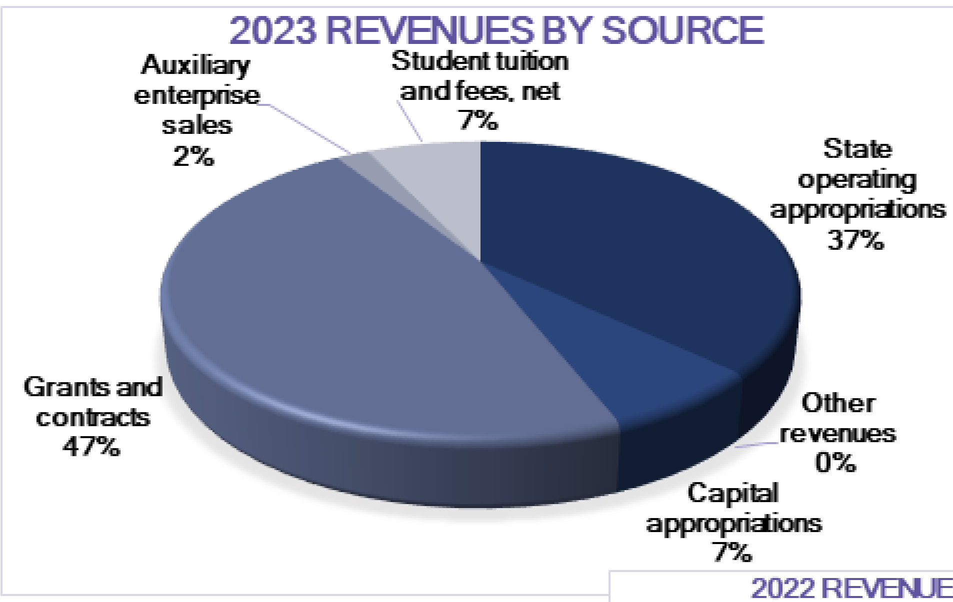
State supported enrollments increased 4% or 53 FTE-S (full time equivalent students) in FY23. This enrollment increase, as well as a tuition rate increase of 2.6%, were factors in tuition and fees increasing by a net of $702K. Enrollments have been continuing to slowly increase after the sharp decrease attributable to the COVID-19 pandemic. Pell grant, as well as auxiliary enterprise sales, revenues generally follow enrollment trends. The College's enrollment increased during FY23, and these revenue sources showed increases as well.

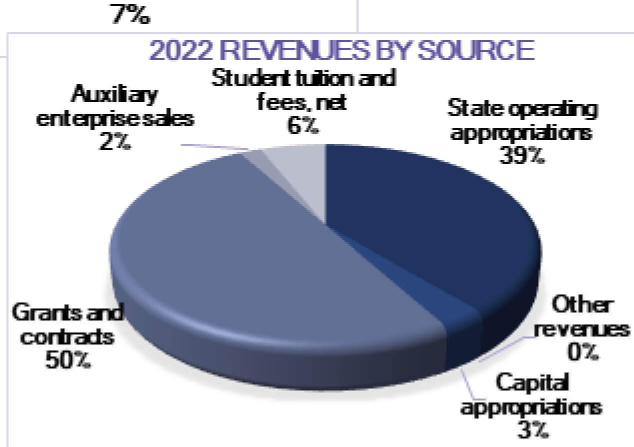
In 2023, grant and contract operating revenues increased by $2.41 million when compared 2022. In FY23, state and local grants and contracts revenue increased by $2.33 million while federal grants and contracts revenue showed little change when compared to FY22. For state and local grants and contracts, the main changes were increases of $321K for the BFET grant, $370K from the Centralia College Foundation, $589K in Running Start, $161K in SEDC contract, $353K for Washington College Grant, and $170K for the Workfirst grant and a decrease of $261K for the ECEAP grant. In addition, there were three new grants/contracts: $140K for the BS-Computer Science contract, $281K for Running Start ESSER grant and $231K for the Washington Bridge grant.

Total non-operating revenues increased $2.9 million when compared to FY22. In FY23, state appropriations revenue increased $2.4 million. Pell increased $329K while HEERF funding for student aid and institutional expenses related to COVID-19 decreased $190K.

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 increased $2.52 million in FY23 compared to FY22. 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, 2023 and 2022, in percentage terms.

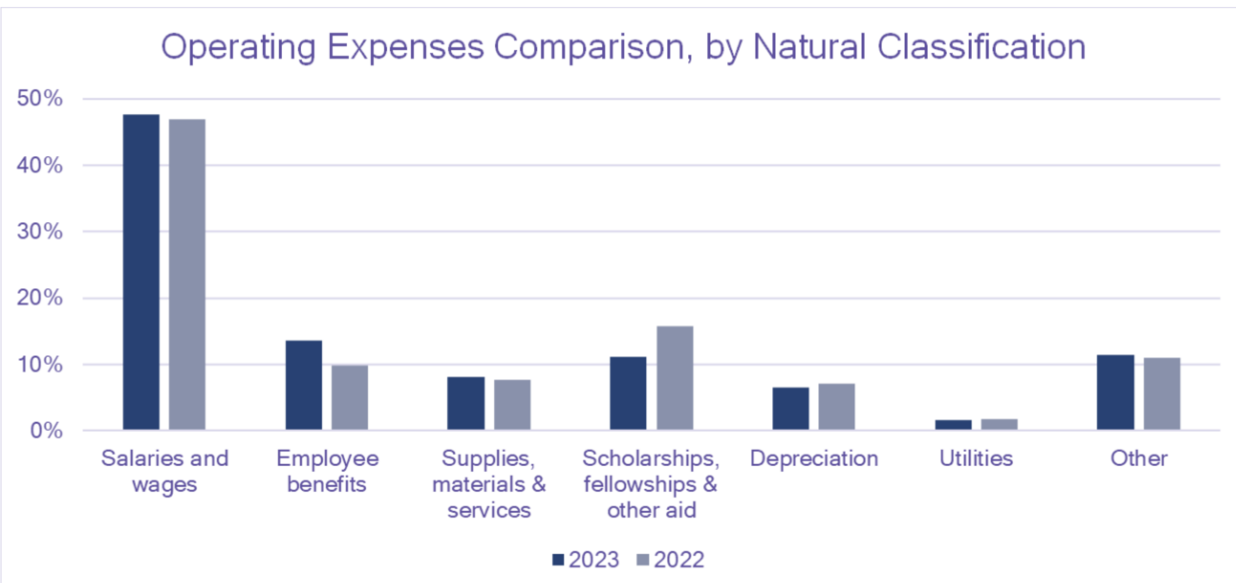



**Operating Expenses**
For FY23, the College saw an increase of $5.54 million in total operating expenses. Salary costs increased $2.9 million with COLA salary increases of 3.25% for staff and 4.743% for faculty, less vacant staff positions as well as the conversion of part time hourly positions to full time to comply with the new Washington state law. The $2.3K

million increase in benefit costs was primarily a result of the increase of new staff positions and the decrease of $774K in pension and OPEB expense adjustments. Scholarships decreased by $1.2 million primarily as a result of HEERF Student Aid funding decreasing by $2.9 million while several other financial aid programs increased such as Washington College grant $365K, Pell $328K, Opportunity grant $262K and Centralia College Foundation $260K. The College also had increases from a couple new scholarship sources; Washington Bridge grant $231K and $130K from SBCTC for support for students experiencing homelessness. Other operating expenses saw an increase of $1.47 million with increases in supplies of $202K and purchased services of $411K as students, staff and vendors fully returned to campus for in-person operations following COVID. In addition, repairs increased $862K primarily from capital appropriation funded projects.

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




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

At June 30, 2023, the College had invested $87.12 million in capital assets, net of accumulated depreciation. This represents an increase of $5.19 million from last year, shown in the table below.

**Capital Assets**

| For the years ended June 30 (in thousands) | | 2023 | | 2022 |
|---|---|---|---|---|
| Land | $ | 9,030 | $ | 9,030 |
| Construction in Progress | | 3,082 | | 1,528 |
| Buildings, net | | 64,223 | | 66,424 |
| Other Improvements and Infrastructure, net | | 9,148 | | 3,386 |
| Equipment, net | | 1,629 | | 1,557 |
| Library Resources, net | | 11 | | 8 |
| **Total Capital Assets, net** | $ | 87,123 | $ | 81,933 |

The increase in net capital assets can be attributed to the completion of the multi-purpose field and the beginning of the Teacher Education and Family Development (TEFD) building project. Additional information on capital assets can be found in Note 7 of the Notes to the Financial Statements.

Right to use leased assets are also part of the College's capital assets. Right to use lease assets decreased due to amortization recorded in FY23 for $70,917. In FY22, the College implemented GASB 87, Leases and recorded the following right to use leased asset as part of its capital assets. The amounts in the table below are reported net of accumulated amortization.

**Leased Assets**

| Right to Use Asset Type | 2023 | | 2022 | | Change |
|---|---|---|---|---|---|
| Leased Building, net | $159,563 | $ | 230,480 | | (70,917) |
| **Total Leased Capital Assets, net** | $159,563 | $ | 230,480 | $ | (70,917) |

At June 30, 2023, the College had $2.095 million in outstanding debt. This represents a decrease of $100K from last year, as shown in the table below. The College entered into a Certificate of Participation (COP) for the Trans Alta Building during FY17. The College implemented GASB 87, Leases in FY22. The College has a right to use lease for the Southwest Washington Flexible Trades (SWFT) building which was entered into during FY22.

**Certificates of Participation and Right to Use Leases**

| For the years ended June 30 (in thousands) | | 2023 | | 2022 | | Change |
|---|---|---|---|---|---|---|
| Certificates of Participation | $ | 2,095 | $ | 2,195 | $ | (100) |
| Right to Use Lease Liabilities | | 160 | | 231 | $ | (71) |
| **Total** | $ | 2,255 | $ | 2,426 | $ | (171) |

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. Although enrollment is continuing to increase, the College does not anticipate any significant changes in state operating appropriations.

Enrollment has begun to trend up leading to better revenue projections for tuition as well as Running Start; 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. The College will be looking closely at budgets and ways to innovate instruction to attract more students. The College is seeing positive results from implementation of 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.

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

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

## Financial Statements

**Centralia College Statement of Net Position**

As of June 30, 2023

| | |
|---|---|
| **Assets** | |
| **Current Assets** | |
| Cash and cash equivalents (Note 3) | $ 7,424,547 |
| Investments (Note 3) | 2,469,625 |
| Accounts receivable, net (Note 4) | 5,689,686 |
| Lease receivable, net (Note 5) | 121,112 |
| Inventories (Note 6) | 150,279 |
| Interest receivable | 24,485 |
| Other current assets | 42,892 |
| Total current assets | 15,922,626 |
| **Non-Current Assets** | |
| Restricted cash and cash equivalents (Note 3) | 1,629,288 |
| Net pension asset (Note 16) | 1,845,574 |
| Investments (Note 3) | 5,525,708 |
| Non-depreciable capital assets (Note 7) | 12,111,339 |
| Capital assets, net of depreciation (Note 7) | 75,012,110 |
| Leased assets, net of amortization (Note 7) | 159,563 |
| Total non-current assets | 96,283,582 |
| **Total Assets** | 112,206,208 |
| **Deferred Outflows** | |
| Deferred outflows related to pensions (Note 16) | 3,745,298 |
| Deferred outflows related to OPEB (Note 17) | 1,824,592 |
| **Total Deferred Outflows** | 5,569,890 |
| **Liabilities** | |
| **Current Liabilities** | |
| Accounts payable and accrued liabilities (Note 8) | 2,817,708 |
| Total OPEB liability (Note 15 and 17) | 223,246 |
| Unearned revenues (Note 9) | 785,352 |
| Compensated absences (Note 11 and 15) | 142,237 |
| Leases and certificates of participation payable (Note 12, 13, 14 and 15) | 196,645 |
| Net pension liability (Note 15 and 16) | 53,850 |
| Total current liabilities | 4,219,038 |
| **Non-Current Liabilities** | |
| Total OPEB Liability (Note 15 and 17) | 8,622,263 |
| Net pension liability (Note 15 and 16) | 2,122,721 |
| Leases and certificates of participation (Note 12, 13, 14 and 15) | 2,347,923 |
| Compensated absences (Note 11 and 15) | 1,693,661 |
| Total non-current liabilities | 14,786,568 |
| **Total Liabilities** | 19,005,606 |
| **Deferred Inflows** | |
| Deferred inflows on lease receivable (Note 5) | 118,985 |
| Deferred inflows related to pensions (Note 16) | 3,634,127 |
| Deferred inflows related to OPEB {Note 17) | 8,228,907 |
| **Total Deferred Inflows** | 11,982,019 |
| **Net Position** | |
| Investment in capital assets | 84,738,444 |
| Restricted Expendable for: | |
| Pension Asset | 1,845,574 |
| Other | 1,555,045 |
| Unrestricted (deficit) | (1,350,590) |
| **Total Net Position** | 86,788,473 |

*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, 2023

| | | |
|---|---|---|
| **Operating Revenues** | | |
| Student tuition and fees, net | $ | 3,413,879 |
| State and local grants and contracts | | 15,457,359 |
| Federal grants and contracts | | 1,419,731 |
| Auxiliary enterprise sales | | 937,648 |
| Other operating revenues | | 152,829 |
| Total operating revenue | | 21,381,446 |
| **Operating Expenses** | | |
| Salaries and wages | | 21,346,730 |
| Scholarships, fellowships and other aid | | 4,974,888 |
| Employee benefits | | 6,087,289 |
| Supplies, materials and services | | 3,624,479 |
| Repairs and maintenance | | 1,447,406 |
| Other operating expenses | | 3,699,884 |
| Depreciation and amortization | | 2,953,279 |
| Utilities | | 706,509 |
| Total operating expenses | | 44,840,464 |
| Operating loss | | (23,459,018) |
| **Non-Operating Revenues (Expenses)** | | |
| State operating appropriations | | 18,708,314 |
| Federal Non-operating revenue | | 3,916,088 |
| Federal Pell grant revenue | | 2,643,495 |
| Interest income, leases | | 1,774 |
| Investment income | | 136,038 |
| Interest on indebtedness | | (118,647) |
| Building fee remittance | | (580,592) |
| Innovation fund remittance | | (144,644) |
| Net non-operating revenue | | 24,561,826 |
| **Gain before capital appropriations** | | 1,102,808 |
| Capital appropriations | | 3,588,324 |
| **Change in net position** | | 4,691,132 |
| **Net Position** | | |
| Net position, beginning of year, as restated | | 82,097,341 |
| **Net position, end of year** | $ | 86,788,473 |

*The accompanying notes are an integral part of this statement*

## Centralia College Statement of Cash Flows

For the Year Ended June 30, 2023

| | |
|---|---|
| **Cash Flows From Operating Activities** | |
| Tuition and fees | $ 3,791,225 |
| Grants and contracts | 17,151,124 |
| Payments for employees | (21,298,248) |
| Payments for benefits | (7,561,045) |
| Payments to vendors | (3,655,723) |
| Payments for scholarships and fellowship | (4,974,888) |
| Payments for utilities | (739,939) |
| Auxiliary enterprise sales, net | 934,407 |
| Other receipts | 296,981 |
| Other payments | (4,947,985) |
| **Net cash used by operating activities** | (21,004,091) |
| **Cash Flows From Noncapital Financing Activities** | |
| State appropriations | 18,708,314 |
| Federal Pell grant receipts | 2,643,495 |
| HEERF Revenue | 3,916,088 |
| Building fee remittance | (580,592) |
| Innovation fee remittance | (144,644) |
| **Net cash provided by noncapital financing activities** | 24,542,661 |
| **Cash Flows From Capital Related Financing Activities** | |
| Capital appropriations | 3,588,324 |
| Interest received from lease activity | 1,774 |
| Purchases of capital assets | (8,072,696) |
| Principal paid on capital debt | (170,234) |
| Interest paid on capital debt | (139,430) |
| **Net cash provided (used) by capital related financing activities** | (4,792,262) |
| **Cash Flows From Investing Activities** | |
| Purchase of investments | (4,170,564) |
| Proceeds from sales and maturities of investments | 500,000 |
| Investment income | 124,286 |
| **Net cash used by investing activities** | (3,546,278) |
| **Increase (Decrease) in Cash and Cash Equivalents** | (4,799,970) |
| **Cash and Cash Equivalents, Beginning of Year** | 13,853,805 |
| **Cash and Cash Equivalents, End of Year** | $ 9,053,835 |

*The accompanying notes are an integral part of this statement*

## Centralia College Statement of Cash Flows – Continued

For Year Ended June 30, 2023

| | | |
|---|---|---|
| **Reconciliation of Operating Loss to Net Cash used by Operating Activities** | | |
| **Operating Loss** | $ | (23,459,018) |
| | | |
| **Adjustments to reconcile operating loss to net cash used by operating activities** | | |
| Depreciation expense | | 2,953,279 |
| **Changes in assets, liabilities and deferrals** | | |
| Accounts payable and accrued liabilities | | 900,073 |
| Lease receivable | | 1,373 |
| Accounts receivable | | (549,812) |
| Inventories | | (22,236) |
| Compensated absences | | 76,709 |
| Pension/OPEB liability | | (1,502,963) |
| Unearned revenues | | 598,504 |
| | | |
| **Net cash used by operating activities** | $ | (21,004,091) |
| | | |
| **Significant non-cash Transactions** | | |
| Prior period correction increasing FY22 ending net position | $ | 941,531 |

*The accompanying notes are an integral part of this statement*

# Audited Financial Statements of Component Unit

**Centralia College Foundation**
A Washington Not-for-Profit Organization
**Statement of Financial Position**
As of June 30, 2023

| **ASSETS** | **June 30, 2023** | **June 30, 2022** |
| --- | --- | --- |
| **CURRENT ASSETS** | | |
| Cash and Cash Equivalents | $ 3,212,286 | $ 1,520,911 |
| Pledges Receivable | 18,000 | 30,500 |
| Current Portion of Note Receivable | 10,433 | 5,272 |
| TOTAL CURRENT ASSETS | 3,240,719 | 1,556,683 |
| | | |
| **NONCURRENT ASSETS** | | |
| Long-Term Pledges Receivable, Net | 20,100 | 35,100 |
| Long-Term Note Receivable | 348,215 | 24,992 |
| Life Insurance Policies | 49,925 | 55,159 |
| Investment in Affiliates | 250,000 | - |
| Long-Term Investments | 20,955,255 | 19,682,521 |
| Land, Building, and Equipment Held for the Benefit of the College, Net | 3,312,694 | 3,641,100 |
| Land, Building, and Equipment, Net | 61,817 | 405,734 |
| **TOTAL ASSETS** | 28,238,725 | 25,401,289 |
| | | |
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Accounts Payable | 115,043 | 27,098 |
| Charitable Gift Annuity Contracts | 7,662 | 7,662 |
| Payable to the College | 300 | 108,432 |
| TOTAL LIABILITIES | 123,005 | 146,136 |
| | | |
| **NET ASSETS** | | |
| Without Donor Restrictions | 3,247,300 | 3,482,892 |
| TOTAL WITHOUT DONOR RESTRICTIONS | 3,247,300 | 3,482,892 |
| | | |
| With Donor Restrictions | | |
| Purpose or Time Restrictions | 15,259,211 | 13,435,939 |
| Perpetual in Nature | 9,609,209 | 8,336,322 |
| TOTAL WITH DONOR RESTRICTIONS | 24,868,420 | 21,772,261 |
| TOTAL NET ASSETS | 28,115,720 | 25,255,153 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 28,238,725 | $ 25,401,289 |

*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 30, 2023

| | 2023 | | | |
|---|---|---|---|---|
| | **Without Donor Restrictions** | **With Donor Restrictions** | **2023 Total** | **2022 Total** |
| **SUPPORT AND REVENUES** | | | | |
| Contributions | $ 317,611 | $ 1,391,404 | $ 1,709,015 | $ 1,432,482 |
| Grants | - | 50,000 | 50,000 | 196,743 |
| Special Fundraising Event | 13,197 | 33,823 | 47,020 | 17,744 |
| Club Income | - | 62,164 | 62,164 | 47,339 |
| Net Investment Return | 9,334 | 2,221,836 | 2,231,170 | (2,415,501) |
| Rental Revenue | 50,134 | - | 50,134 | 35,568 |
| Other Income | - | 5,000 | 5,000 | 35,568 |
| Net Assets Released from Restrictions | 668,068 | (668,068) | - | - |
| Total Support and Revenue | 1,058,344 | 3,096,159 | 4,154,503 | (681,351) |
| **EXPENSES** | | | | |
| Program Services | 889,433 | - | 889,433 | 698,198 |
| Managing and General | 401,827 | - | 401,827 | 378,787 |
| Fundraising | 2,676 | - | 2,676 | 2,657 |
| Total Expenses | 1,293,936 | - | | 1,079,642 |
| **CHANGE IN NET ASSETS** | (235,592) | 3,096,159 | 2,860,567 | (1,760,993) |
| **NET ASSETS, BEGINNING OF YEAR** | 3,482,892 | 21,772,261 | 25,255,153 | 27,016,146 |
| **NET ASSETS, END OF YEAR** | $ 3,247,300 | $ 24,868,420 | $ 28,115,720 | $ 25,255,153 |

*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 30, 2023

| | 2023 | | | | |
|---|---|---|---|---|---|
| | **Program Services** | **Management and General** | **Fundraising** | **2023 Total** | **2022 Total** |
| Purchased and In-Kind Services | $ 165,790 | $ 240,089 | $ - | $ 405,879 | $ 263,028 |
| Grants and Allocations | 403,080 | - | - | 403,080 | 389,391 |
| Depreciation | 121,562 | 440 | 2,185 | 109,234 | 83,528 |
| Other Goods and Services | 37,144 | 69,905 | 2,185 | 109,234 | 83,528 |
| Printing and Communications | - | 2,544 | - | 109,234 | 83,528 |
| Professional Fees | - | 27,066 | - | 27,066 | 29,758 |
| Small Equipment Purchases | 74,401 | 11,882 | - | 86,283 | 23,930 |
| Cost of Goods Sold | 13 | - | 1 | 14 | 4,961 |
| Insurance and Property Taxes | 17,083 | 2,059 | 391 | 19,533 | 18,817 |
| Occupancy | 559 | 4,300 | 99 | 4,958 | 5,722 |
| Advertising | - | 1,951 | - | 1,951 | 6,397 |
| Supplies | 66,853 | 3,877 | - | 70,730 | 49,715 |
| Printing | 1,221 | 36,966 | - | 38,187 | 58,810 |
| Travel, Conferences and Training | 1,727 | 748 | - | 2,475 | 1,657 |
| | $ 889,433 | $ 401,827 | $ 2,676 | $ 1,293,936 | $ 1,079,642 |

**Centralia College Foundation**

A Washington Not-for-Profit Organization

**Statement of Cash Flows**

For the Period Ending June 30, 2023

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash Received from Support and Revenue | $ 1,024,011 | $ 1,249,197 |
| Cash Paid for Management, Program, and Fundraising | (1,195,065) | (1,004,722) |
| Dividends and Interest | 2,119 | 3,397 |
| Net Cash Provided (Used) by Operating Activities | (168,935) | 247,872 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of Land, Building, Equipment, and Construction in Progress | 550,321 | (433,336) |
| Receipts on Notes Receivable | (328,384) | 27,631 |
| Proceeds from Purchase of Investments | (250,000) | - |
| Purchase of Investments | 963,670 | (36,539) |
| Net Cash Provided (Used) by Investing Activities | 935,607 | (442,244) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Contributions to be Held in Perpetuity | 909,703 | 497,945 |
| Prior Period Adjustment | - | 89,276 |
| Net Cash Provided (Used) by Financing Activities | 909,703 | 587,221 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 1,676,375 | 392,849 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 1,520,911 | 1,128,062 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 3,212,286 | 1,520,911 |

*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 30, 2023

| | 2023 | 2022 |
|---|---|---|
| **RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | | |
| Change in Net Assets | 2,860,567 | (1,760,993) |
| 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 | (2,231,170) | 2,415,501 |
| Contributions to be held in perpetuity | (909,703) | (497,945) |
| Depreciation | 122,002 | 140,814 |
| Life Insurance Policies | | |
| (Increase) decrease in: | | |
| Contributions to be held in perpetuity | 12,500 | (48,610) |
| Increase (decrease) in: | | |
| Accounts Payable | 87,945 | (145,463) |
| Charitable Gift Annutiy Contracts | (2,944) | (986) |
| Payable to the College | (108,132) | 80,555 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | (168,935) | 182,873 |

**DISCLOSURE OF ACCOUNTING POLICY AND NONCASH TRANSACTIONS**

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 2023 and 2022, noncash transactions include donated materials and services of $196,937 and $178,404, respectively.

*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, 2023, the Foundation distributed approximately $740,818 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 an 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 receivables 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, 2023, 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 $1,845,574 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*. This includes activities that are directly related to the principal operations of the College, such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) federal, state and local grants and contracts that primarily support the operational/educational activities of the colleges. An example would include the contract with OSPI to offer Running Start. The college also receives Adult Basic Education grants that support the primary educational mission of the college.

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

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

*Non-operating Expenses*. Non-operating expenses include state remittance related to the building fee and the innovation fee, along with interest incurred on the Certificate of Participation Loans.

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, 2023 were $3,442,226.

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 Innovations Fee Remittance

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

**Note 2. Prior Period Adjustment**

Prior Period Adjustment to Restate Beginning Net Position

During fiscal year 2023, the College determined that custodial (fiduciary) funds were incorrectly reported as such in prior years financial statements. The effect on prior years was that net position was understated by $941,531 and current liabilities were overstated by the offsetting amount.

The correction was primarily the result of net position reported in a fund normally used as an agency fund but was also used by the College's previous financial system, Legacy, to record accrued tuition revenues in this agency fund, and from which the tuition revenue was only allocated to other non-agency funds when the tuition receivable was realized.

The effect of this adjustment to net position is as follows:

| | |
|---|---|
| Net position, beginning of year, as previously reported | $ 81,155,810 |
| Prior period adjustment | 941,531 |
| Net position, beginning of year, as restated | $ 82,097,341 |

## 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, 2023, the carrying amount of the College's cash and equivalents was $9,053,835 as represented in the table below.

| Cash and Cash Equivalents | June 30, 2023 |
|---|---|
| Petty cash and change funds | $4,050 |
| Bank demand and time deposits | 456,085 |
| Local government investment pool | 8,593,700 |
| Total Cash and Cash Equivalents | $9,053,835 |

Cash and cash equivalents include restricted cash and cash equivalents of $1,629,288 at June 30, 2023.

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 Key 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 four years as follows:

| Fair Market Value | Investment Maturities (in months) | | |
|---|---|---|---|
| 6/30/2023 | 0-12 | 13-24 | 25-48 |
| $ 7,995,333 | 2,469,625 | 1,899,598 | 3,626,110 |

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 $8.419 million in US Government sponsored enterprise bonds, with staggered maturities, in $500,000 -$800,000 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, 2023, 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 | $ 7,995,333 | $ 1,868,418 | | 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, 2023 were as follows:

| Accounts Receivable | Amount |
|---|---|
| Grants and contracts | $ 1,330,327 |
| Due from other agences | 1,178,179 |
| State Appropriations | 2,451,577 |
| Tuition and fees | 160,956 |
| Auxiliary support | 519,959 |
| Other | 63,514 |
| Less Allowance for Uncollectible Accounts | (14,826) |
| **Accounts Receivable, net** | **$ 5,689,686** |

## 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, 2023 was as follows:

| Leases Receivable | | Revenue recognized during FY2023 | |
|---|---|---|---|
| Basis | Term (through) | Lease Revenue | Interest Revenue |
| TSB Building | April 2024 | $ 142,782 | $ 1,774 |

## 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 $150,279 at June 30, 2023.

## Note 7. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2023 is presented as follows. The current year net depreciation expense was $2,882,363.

| | June 30, 2022 | Additions | Retirements | June 30, 2023 |
|---|---|---|---|---|
| **Capital assets** | | | | |
| Land | $ 9,029,577 | | | 9,029,577 |
| Construction in progress | 1,528,020 | 2,766,012 | 1,212,270 | 3,081,762 |
| Total capital assets, non-depreciable | 10,557,597 | 2,766,012 | 1,212,270 | 12,111,339 |
| Buildings | 98,431,429 | | | 98,431,429 |
| Infrastructure | 4,774,960 | 5,972,998 | | 10,747,958 |
| Furniture, fixtures and equipment | 5,689,309 | 538,828 | | 6,228,137 |
| Library resources | 2,291,992 | 7,129 | | 2,299,121 |
| Total capital assets, depreciable | 111,187,690 | 6,518,955 | - | 117,706,645 |
| **Less accumulated depreciation** | | | | |
| Buildings | 32,007,280 | 2,200,895 | | 34,208,175 |
| Infrastructure | 1,388,824 | 210,838 | | 1,599,662 |
| Furniture, fixtures and equipment | 4,132,126 | 466,907 | - | 4,599,033 |
| Library resources | 2,283,942 | 3,722 | | 2,287,664 |
| Total accumulated depreciation | 39,812,172 | 2,882,362 | - | 42,694,534 |
| **Capital assets, net** | $ 81,933,115 | $ 6,402,605 | $ 1,212,270 | $ 87,123,450 |

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

| | June 30, 2022 | Additions | Retirements | June 30, 2023 |
|---|---|---|---|---|
| **Leased assets** | | | | |
| Leased Buildings | 248,209 | | | 248,209 |
| Total leased assets | 248,209 | - | - | 248,209 |
| **Less accumulated amortization** | | | | |
| Accum Amort. Leased Buildings | 17,729 | 70,917 | | 88,646 |
| Total accumulated amortization | 17,729 | 70,917 | - | 88,646 |
| **Leased assets, net** | $ 230,480 | $ (70,917) | $ - | $ 159,563 |

## Note 8. Accounts Payable and Accrued Liabilities

At June 30, 2023, accounts payable and accrued liabilities were as follows:

| Accounts Payable and Accrued Liabilities | Amount |
|---|---|
| Salaries and wages | $ 619,407 |
| Benefits | 397,880 |
| Utilities | 35,380 |
| All Other | 1,765,041 |
| Total Accounts Payable & Accrued Liabilities | 2,817,708 |

## Note 9. Unearned Revenue

Unearned revenue is comprised of receipts which have not yet met revenue recognition criteria, at June 30, 2023, as follows:

| Unearned Revenue | Amount |
|---|---|
| Tuition and fees | $ 267,096 |
| Auxiliary enterprises | 74,109 |
| Grants and Contracts | 444,147 |
| Total Unearned Revenue | 785,352 |

## 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, 2022 through June 30, 2023, were $20,970.

## 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 $995,576 and accrued sick leave totaled $839,685 at June 30, 2023.

An estimated amount of $141,600 based on a three-year average payout, is accrued as a current liability. The remaining amount of accrued annual and sick leave are categorized as non-current liabilities. Compensatory time of $637 is categorized as a current liability since it must be used before other leave.

## 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 FY23 were $72,000.   This lease has a 42-month term and expires on September 30, 2025.

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

| | Lease Payable | | |
|---|---|---|---|
| **Fiscal year** | **Principal** | **Interest** | **Total** |
| 2024 | 70,862 | 1,138 | 72,000 |
| 2025 | 71,495 | 505 | 72,000 |
| 2026 | 17,973 | 27 | 18,000 |
| **Total** | **$ 160,330** | **$ 1,670** | **$ 162,000** |

## 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, 2023 are as follows:

| | Certificates of Participation | | |
|---|---|---|---|
| **Fiscal year** | **Principal** | **Interest** | **Total** |
| 2024 | 105,000 | 104,750 | 209,750 |
| 2025 | 110,000 | 99,500 | 209,500 |
| 2026 | 120,000 | 94,000 | 214,000 |
| 2027 | 125,000 | 88,000 | 213,000 |
| 2028 | 130,000 | 81,750 | 211,750 |
| 2029-2034 | 930,000 | 342,000 | 1,272,000 |
| 2035-2037 | 575,000 | 58,250 | 633,250 |
| **Total** | **$ 2,095,000** | **$ 868,250** | **$ 2,963,250** |

### Note 15. Schedule of Long-term Liabilities

| | Balance outstanding 6/30/22 | Additions | Reductions | Balance outstanding 6/30/23 | Current portion |
|---|---|---|---|---|---|
| Certificates of Participation | $ 2,195,000 | $ - | $ 100,000 | $ 2,095,000 | $ 105,000 |
| COP - Amortized Premium | $ 310,021 | $ - | $ 20,783 | $ 289,238 | $ 20,783 |
| Right-to-use leases | $ 230,564 | $ - | $ 70,234 | $ 160,330 | $ 70,862 |
| Compensated Absences | $ 1,759,189 | $ 1,136,732 | $ 1,060,023 | $ 1,835,898 | $ 142,237 |
| Total OPEB liability | $ 12,981,847 | $ 4,073,944 | $ 8,210,282 | $ 8,845,509 | $ 223,246 |
| Net Pension liability | $ 1,613,666 | $ 3,133,172 | $ 2,570,266 | $ 2,176,571 | $ 53,850 |
| Total | $ 19,090,287 | $ 8,343,847 | $ 12,031,588 | $ 15,402,546 | $ 615,978 |

### 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 2023:

**Aggregate Pension Amounts - All Plans (including SBRP)**

| | |
|---|---|
| Net pension assets | $1,845,574 |
| Net pension liabilities | 2,176,551 |
| Deferred outflows of resources related to pensions | 3,745,298 |
| Deferred inflows of resources related to pensions | 3,634,127 |
| Pension expense | (61,273) |

Department of Retirement Systems

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

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

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

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

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

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

<u>Higher Education</u>
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

<u>PERS and TRS</u>

**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.

<u>Benefits Provided</u>. PERS plans provide retirement, disability, and death benefits to eligible members.

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

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

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

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

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

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

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

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

<u>Plan Description (TRS).</u> The Legislature established the Teachers' Retirement System (TRS) in 1938. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature. Eligibility for membership requires service as a certificated public school employee working in an instructional,

administrative, or supervisory capacity. TRS is comprised principally of non-state agency employees.

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

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

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

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

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

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

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

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

Contributions

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

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

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

| | **PERS 1** | **PERS 2/3*** | **TRS 1** | **TRS 2/3*** |
|---|---|---|---|---|
| Contribution Rates at close of FY23 | 10.39% | 10.39% | 14.69% | 14.69% |
| Actual Contributions | 295,766 | 482,408 | 90,138 | 112,633 |

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

Actuarial Assumptions

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

| | |
|---|---|
| Inflation | 2.75% |

| | |
|---|---|
| Salary increases | 3.25% |
| Investment rate of return | 7.00% |

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of the 2013-2018 Demographic Experience Study Report and the 2019 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report.

The Office of the State Actuary (OSA) selected a 7.00 percent long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the WSIB. The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in: Expected annual return, Standard deviation of the annual return 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, 2022, are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| Fixed Income | 20% | 1.50% |
| Tangible Assets | 7% | 4.70% |
| Real Estate | 18% | 5.40% |
| Global Equity | 32% | 5.90% |
| Private Equity | 23% | 8.90% |
| **Total** | **100%** | |

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

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

Discount Rate

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

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

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

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

| Pension Plan | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| PERS 1 | 1,435,798 | 1,074,713 | 759,565 |
| PERS 2/3 | 2,141,335 | (1,818,343) | (5,071,465) |
| TRS 1 | 350,619 | 258,211 | 177,436 |
| TRS 2/3 | 493,343 | (27,231) | (450,450) |

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

Pension Liabilities/(Assets). At June 30, 2023, the College reported a total pension liability of $1,332,924 and total pension asset of $1,875,574 for its proportionate share of the net pension liabilities/(assets) as follows:

| | |
|---|---|
| PERS 1 | 1,074,713 |
| PERS 2/3 | (1,818,343) |
| TRS 1 | 258,211 |
| TRS 2/3 | (27,231) |
| **Total** | **($512,650)** |

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

| Pension Plan | 2021 | 2022 | Change |
|---|---|---|---|
| PERS 1 | 0.039488% | 0.038598% | -0.000890% |
| PERS 2/3 | 0.048881% | 0.049028% | 0.000147% |
| TRS 1 | 0.014199% | 0.013577% | -0.000622% |
| TRS 2/3 | 0.013754% | 0.013838% | 0.000084% |

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

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

| Pension Plan | Pension Expense |
|---|---|
| PERS 1 | 470,650 |
| PERS 2/3 | (579,964) |
| TRS 1 | 135,371 |
| TRS 2/3 | (3,543) |
| **Total** | **$22,514** |

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, 2023:

| PERS 1 | Deferred Outflows | Deferred Inflows |
|---|---|---|
| Difference between expected and actual experience | - | - |
| Difference between expected and actual earnings of pension plan investments | - | 178,111 |
| Changes of assumptions | - | - |
| Changes in College's proportionate share of pension liabilities | - | - |
| Contributions subsequent to the measurement date | 295,766 | - |
| **Totals** | **$ 295,766** | **$ 178,111** |

| PERS 2/3 | Deferred Outflows | Deferred Inflows |
|---|---|---|
| Difference between expected and actual experience | 450,542 | 41,163 |
| Difference between expected and actual earnings of pension plan investments | - | 1,344,313 |
| Changes of assumptions | 1,013,474 | 265,364 |
| Changes in College's proportionate share of pension liabilities | 139,418 | 101,945 |
| Contributions subsequent to the measurement date | 482,408 | - |
| **Totals** | **$ 2,085,843** | **$ 1,752,785** |

| TRS 1 | Deferred Outflows | Deferred Inflows |
|---|---|---|
| Difference between expected and actual experience | - | - |
| Difference between expected and actual earnings of pension plan investments | - | 46,268 |
| Changes of assumptions | - | - |
| Changes in College's proportionate share of pension liabilities | - | - |
| Contributions subsequent to the measurement date | 90,138 | - |
| **Totals** | **$ 90,138** | **$ 46,268** |

| | TRS 2/3 | |
|---|---|---|
| | Deferred Outflows | Deferred Inflows |
| Difference between expected and actual experience | 135,682 | 2,737 |
| Difference between expected and actual earnings of pension plan investments | - | 144,028 |
| Changes of assumptions | 153,410 | 16,685 |
| Changes in College's proportionate share of pension liabilities | 29,411 | 12,641 |
| Contributions subsequent to the measurement date | 112,633 | - |
| **Totals** | **$ 431,136** | **$ 176,090** |

The $2,902,887 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2023.

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

| Year ended June 30: | PERS 1 | PERS 2/3 | TRS 1 | TRS 2/3 |
|---|---|---|---|---|
| 2024 | (75,373) | (396,612) | (19,617) | (24,219) |
| 2025 | (68,458) | (356,474) | (17,835) | (18,150) |
| 2026 | (85,879) | (427,872) | (22,432) | (30,894) |
| 2027 | 51,599 | 613,488 | 13,615 | 83,871 |
| 2028 | | 205,580 | | 35,187 |
| Thereafter | | 212,540 | | 96,618 |
| **Total** | **$ (178,111)** | **$ (149,350)** | **$ (46,268)** | **$ 142,413** |

## 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 plan has been reported under GASB Statement No. 67/68 since FY21. 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 January 1, 2023, with the results rolled forward to the June 30, 2023, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates which vary by member status (e.g. active, retiree, or survivor), as the base table. 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 January 1, 2023 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. Changes in methods and assumptions that occurred between the measurement of the June 30,2022 NPL and the June 30, 2023 NPL are as follows:

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

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

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2023 were each $880,690.

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, 2023 was ($83,786).

Plan Membership. Membership in the State Board Supplemental Retirement Plan consisted of the following as of January 1, 2023, the most recent full actuarial valuation date.

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 | 14 | 12 | 62 | 88 |

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, 2023:

| Schedule of Development of Net Pension Liability | |
|---|---|
| *Centralia College* | |
| *(Dollars in Thousands)* | **2023** |
| **Total Pension Liability** | |
| Service Cost | 30,734 |
| Interest | 110,966 |
| Changes of Benefit Terms | - |
| Differences Between Expected and Actual Experience[1] | (89,186) |
| Changes in Assumptions[1] | (176,611) |
| Benefit Payments | (46,577) |
| Change in Proportionate Share of NPL | 28,401 |
| Net Change in Total Pension Liability | (142,273) |
| | |
| Total Pension Liability - Beginning | 1,545,995 |
| | |
| **Total Pension Liability - Ending (a)** | **1,403,722** |
| | |
| **Plan Fiduciary Net Position** | |
| Contributions - Employer | 13,350 |
| Contributions - Member | - |
| Net Investment Income | 36,552 |
| Benefit Payments | - |
| Administrative Expense | - |
| Other | (2) |
| Net Change in Plan Fiduciary Net Position | 49,900 |
| | |
| Plan Fiduciary Net Position-Beginning | 510,177 |
| | |
| **Plan Fiducairy Net Position-Ending (b)** | **560,077** |
| | |
| **Plan's Net Pension Liability (Asset) -- Ending (a)-(b)** | **843,645** |
| **Covered-Employee Payroll** | **10,288,751** |
| Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll | **8.20%** |

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

| 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|
| $ 999,735 | $ 843,653 | $ 709,750 |

<u>Deferred Outflows and Inflows of Resources Related to Pensions</u>

At June 30, 2023, 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 Inflow of Resources |
|---|---|---|
| Difference Between Expected and Actual Experience | $ 330,984 | $ 411,939 |
| Changes of Assumptions | 283,014 | $ 649,089 |
| Changes in College's proportionate share of pension liability | 206,443 | $ 379,729 |
| Differences Between Projected and Actual Earnings on Plan Investments | 21,970 | 40,116 |
| **Total** | **$ 842,410** | **$ 1,480,873** |

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

| | State Board Supplemental Retirement Plan |
|---|---|
| 2024 | (163,587) |
| 2025 | (125,315) |
| 2026 | (119,090) |
| 2027 | (228,144) |
| 2028 | 15,221 |
| Thereafter | (17,543) |

## 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, 2022**

| | |
|---|---|
| Active Employees* | 267 |
| Retirees Receiving Benefits** | 120 |
| Retirees Not Receiving Benefits*** | - |
| Total Active Employees and Retirees | 387 |

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

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

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

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

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

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

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

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

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

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

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

**Total OPEB Liability**

As of June 30, 2023, the state reported a total OPEB liability of $4.248 billion. The College's proportionate share of the total OPEB liability is $8,845,509. This liability was determined based on a measurement date of June 30, 2022.

**Actuarial Assumptions**. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

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

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

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

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

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

| | |
|---|---|
| **Actuarial Valuation Date** | 6/30/2022 |
| **Actuarial Measurement Date** | 6/30/2022 |
| **Actuarial Cost Method** | Entry Age |
| **Amortization Method** | The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members. |
| **Asset Valuation Method** | N/A - No Assets |

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

| | |
|---|---|
| Explicit Medicare Subsidy | Subsidy amounts are calculated at subscriber level, based on benefit plan and enrollment tier selected, then summed over entire population to include Medicare retirees from the State, Higher Education, K-12 and Political Subdivision groups. |
| Implicit Medicare Subsidy | Subsidy amounts are calculated using the implicit subsidy rate* (difference between theoretical early retiree rates and composite rates** for non-Medicare risk pool) and the enrollment counts for early retirees |

*early retirees assumed to be 58% more expensive the non-Medicare risk pool as a whole on a per adult unit basis.

**calculated across non-Medicare risk pool for both self-insured and fully-insured plans using the PEBB Financial Projection Model (PFPM).

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

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

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

### Changes in Total OPEB Liability

As of June 30, 2023, components of the calculation of total OPEB liability determined in accordance with GASB Statement No. 75 for the College are represented in the following table:

| Centralia College | | |
|---|---|---|
| **Proportionate Share (%)** | | **0.2082147341%** |
| Service Cost | $ | 652,529 |
| Interest Cost | | 302,765 |
| Differences Between Expected and Actual Experience | | (299,836) |
| Changes in Assumptions | | (5,062,487) |
| Changes of Benefit Terms | | - |
| Benefit Payments | | (222,442) |
| Changes in Proportionate Share | | 493,133 |
| Other | | - |
| Net Change in Total OPEB Liability | | (4,136,338) |
| Total OPEB Liability - Beginning | | 12,981,847 |
| **Total OPEB Liability - Ending** | **$** | **8,845,509** |

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

**Discount Rate Sensitivity**

| 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|
| $ 10,364,776 | $ 8,845,509 | $ 7,622,995 |

**Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates**. The following represents the total OPEB liability of the College, calculated using the health care trend rates range of 2-11 percent reaching an ultimate range of 3.8 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (1-10 percent) or 1 percentage point higher (3-12 percent) than the current rate:

**Health Care Cost Trend Rate Sensitivity**

| 1% Decrease | Current health care cost trend rate | 1% Increase |
|---|---|---|
| $ 7,489,351 | $ 8,845,509 | $ 10,580,484 |

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

For the year ending June 30, 2023, the College will recognize OPEB expense of ($177,571). OPEB expense consists of the following elements:

| Centralia College | | |
|---|---|---|
| **Proportionate Share (%)** | | **0.2082147341%** |
| Service Cost | $ | 652,529 |
| Interest Cost | | 302,765 |
| Amortization of Differences Between Expected and Actual Experience | | 5,332 |
| Amortization of Changes in Assumptions | | (959,703) |
| Changes of Benefit Terms | | - |
| Amortization of Changes in Proportion | | (178,494) |
| Other Changes to Net Position | | - |
| **Total OPEB Expense** | **$** | **(177,571)** |

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

| Centralia College | | | | |
|---|---|---|---|---|
| **Proportionate Share (%)** | | **0.2082147341%** | | |
| **Deferred Outflows/Inflows of Resources** | | **Deferred Outflows** | | **Deferred Inflows** |
| Difference between expected and actual experience | $ | 184,397 | $ | 311,231 |
| Changes in assumptions | | 724,988 | | 6,412,692 |
| Transactions subsequent to the measurement date | | 223,246 | | - |
| Changes in proportion | | 691,961 | | 1,504,984 |
| **Total Deferred Outflows/Inflows** | **$** | **1,824,592** | **$** | **8,228,907** |

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

| **Proportionate Share (%)** | | **0.2082147341%** |
|---|---|---|
| 2024 | $ | (1,132,864) |
| 2025 | $ | (1,132,864) |
| 2026 | $ | (1,132,860) |
| 2027 | $ | (842,474) |
| 2028 | $ | (529,345) |
| Thereafter | $ | (1,857,154) |

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

| | | |
|---|---|---|
| **Proportionate Share (%) 2021** | | **0.2005948675%** |
| **Proportionate Share (%) 2022** | | **0.2082147341%** |
| Total OPEB Liability - Ending 2021 | $ | 12,981,847 |
| Total OPEB Liability - Beg 2022 (chg in prop) | | 13,474,980 |
| Total OPEB Liability Change in Proportion | | 493,133 |
| Total Deferred Inflows/Outflows - 2021 (chg in prop) | | (1,140,809) |
| Total Deferred Inflows/Outflows - 2022 (chg in prop) | | (1,184,145) |
| Total Deferred Inflows/Outflows Change in Proportion | | (43,336) |
| **Total Change in Proportion** | **$** | **536,469** |

## 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, 2023.

| Expenses by Functional Classification | | |
|---|---|---|
| Instruction | $ | 12,202,430 |
| Academic Support Services | | 3,765,458 |
| Student Services | | 9,377,599 |
| Institutional Support | | 6,392,046 |
| Operations and Maintenance of Plant | | 3,336,443 |
| Scholarships and Other Student Financial Aid | | 4,974,888 |
| Auxiliary enterprises | | 1,838,321 |
| Depreciation and Amortization | | 2,953,279 |
| **Total operating expenses** | **$** | **44,840,464** |

## 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 $191,937 for 2023, while the Foundation provides fundraising and financial services.

The Foundation distributed approximately $740,818 to the College for restricted and unrestricted purposes in 2023. 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 $1.4 million for the Teacher Education and Family Development (TEFD) building project. This building is primarily State capital project funded but will require local funds to complete the project. In addition, the College is partnering with the Foundation in remodeling the Silver Street apartment building. Approximately $770,000 of local funds have been committed to this 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.

# Schedule 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 | 0.038598% | $ 1,074,713 | $ 6,238,554 | 17.23% | 76.56% |
| 2023 | | | | | |

Note: These schedules will 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 (asset) | College covered payroll | College's proportionate share of the net pension liability (asset) 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 | 0.049028% | $ (1,818,343) | $ 6,187,223 | -29.39% | 106.73% |
| 2023 | | | | | |

Note: These schedules will 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<br>Teachers' Retirement System (TRS) Plan 1<br>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 | 0.013577% | $ 258,211 | $ 1,110,179 | 23.26% | 78.24% |
| 2023 | | | | | |

Note: These schedules will 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<br>Teachers' Retirement System (TRS) Plan 2/3<br>Measurement Date of June 30 | | | | | |
|---|---|---|---|---|---|
| Fiscal Year | College's proportion of the net pension liability | College proportionate share of the net pension liability (asset) | College covered payroll | College's proportionate share of the net pension liability (asset) 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 | 0.013838% | $ (27,231) | $ 1,110,179 | -2.45% | 100.86% |
| 2023 | | | | | |

Note: 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 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 | $ 295,766 | $ 295,766 | $ - | $ 7,638,896 | 3.87% |

Note: 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 | $ 482,408 | $ 482,408 | $ - | $ 7,585,010 | 6.36% |

Note: 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 | $ 90,138 | $ 90,138 | $ - | $ 1,399,915 | 6.44% |

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

**Cost Sharing Employer Plans**

| Schedule of Contributions<br>Teachers' Retirement System (TRS) Plan 2/3<br>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 | - | $ 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 | $ 112,633 | $ 112,633 | $ - | $ 1,399,915 | 8.05% |

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

## State Board Supplemental Defined Benefit Plans

| Schedule of Changes in the Net Pension Liability and Related Ratios | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Centralia College** | | | | | | | |
| Fiscal Year Ended June 30, 2023 | | | | | | | |
| *(expressed in thousands)* | | | | | | | |
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| **Total Pension Liability** | | | | | | | |
| Service Cost | $ 92,089 | $ 65,393 | $ 49,345 | $ 70,983 | $ 71,956 | $ 22,709 | $ 30,734 |
| Interest | 59,742 | 60,096 | 59,687 | 79,848 | 51,179 | 76,507 | 110,966 |
| Changes of benefit terms | - | - | - | - | - | - | - |
| Differences between expected and actual experience | (430,730) | (177,742) | 112,532 | 168,241 | (461,755) | 338,095 | (89,186) |
| Changes of assumptions | (101,653) | (60,130) | 211,592 | 449,535 | (833,380) | 109,825 | (176,611) |
| Benefit Payments | (15,348) | (22,213) | (31,467) | (36,039) | (30,680) | (45,434) | (46,577) |
| Change in Proportionate Share | | 6,855 | 19,004 | 318,011 | (701,780) | (12,071) | 28,401 |
| Other | (331) | - | - | - | - | 5 | - |
| **Net Change in Total Pension Liability** | **(396,231)** | **(127,741)** | **420,693** | **1,050,579** | **$ (1,904,460)** | **$ 489,636** | **$ (142,273)** |
| Total Pension Liability - Beginning | 2,013,517 | 1,617,286 | 1,489,545 | 1,910,238 | 2,960,819 | 1,056,359 | 1,545,995 |
| **Total Pension Liability - Ending (a)** | **$ 1,617,286** | **$ 1,489,545** | **$ 1,910,238** | **$ 2,960,819** | **$ 1,056,359** | **$ 1,545,995** | **$ 1,403,722** |
| | | | | | | | |
| **Plan Fiduciary Net Position**** | | | | | | | |
| Contributions-Employer | n/a | n/a | n/a | n/a | $ 10,103 | $ 12,553 | $ 13,350 |
| Contributions - Member | n/a | n/a | n/a | n/a | | | |
| Net Investment Income | n/a | n/a | n/a | n/a | 126,462 | 784 | 36,552 |
| 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) | (2) |
| **Net Change in Plan Fiduciary Net Position** | | | | | **$ 136,565** | **$ 13,323** | **$ 49,900** |
| Plan Fiduciary Net Position-Beginning | | | | | 360,289 | 496,854 | 510,177 |
| **Plan Fiducairy Net Position-Ending (b)** | | | | | **$ 496,854** | **$ 510,177** | **$ 560,077** |
| | | | | | | | |
| **Plan's Net Pension Liability (Asset) -- Ending (a)-(b)** | | | | | **$ 559,505** | **$ 1,035,818** | **$ 843,645** |
| | | | | | | | |
| **Fiduciary net position as a % of total pension liability (b)/(a)** | | | | | **47.03%** | **33.00%** | **39.90%** |
| | | | | | | | |
| **Covered Payroll** | | | | | **$ 9,611,670** | **$ 9,597,771** | **$ 10,288,751** |
| **Net pension Liability as a % of covered payroll** | | | | | **5.82%** | **10.79%** | **8.20%** |

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

| Schedule of Employer Contributions<br>State Board Supplemental Retirement Plan<br>Centralia College<br>Fiscal Year Ended June 30, 2023 | | | |
|---|---|---|---|
| | *2021 | 2022 | 2023 |
| Statutorily determined contributions | $ 12,495 | $ 12,477 | $ 13,375 |
| Actual contributions in relation to the above | 11,829 | $ 12,322 | $ 13,245 |
| Contribution deficiency (excess) | $ (666) | $ (155) | $ (130) |
| Covered Payroll | $ 9,611,670 | 9,597,771 | 10,288,751 |
| Contribution as a % of covered payroll | 0.12% | 0.13% | 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.

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.

## Other Postemployment Benefits Information

| Schedule of Changes in Total OPEB Liability and Related Ratios<br>Measurement Date of June 30 2023 | | | | | | |
|---|---|---|---|---|---|---|
| **Total OPEB Liability** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** |
| Service cost | $ 652,529 | $ 648,846 | $ 549,678 | $ 521,297 | $ 686,129 | $ 873,915 |
| Interest cost | 302,765 | 280,427 | 459,815 | 452,195 | 471,710 | 409,347 |
| Difference between expected and actual experience | (299,836) | - | (70,462) | | 430,579 | - |
| Changes in assumptions | (5,062,487) | 119,814 | 298,062 | 842,105 | (3,003,771) | (1,996,803) |
| Changes in benefit terms | | - | - | | - | - |
| Benefit payments | (222,442) | (213,647) | (218,925) | (206,852) | (199,227) | (208,610) |
| Changes in proportionate share | 493,134 | (1,099,808) | (178,114) | 291,493 | (301,906) | - |
| Other | | - | (468,355) | | - | - |
| **Net Changes in Total OPEB Liability** | $ (4,136,337) | $ (264,368) | $ 371,699 | $ 1,900,238 | $ (1,916,486) | $ (922,151) |
| **Total OPEB Liability - Beginning** | $ 12,981,846 | $13,246,214 | $ 12,874,515 | $ 10,974,277 | $ 12,890,763 | $ 13,812,914 |
| **Total OPEB Liability - Ending** | $ 8,845,509 | $12,981,846 | $ 13,246,214 | $ 12,874,515 | $ 10,974,277 | $ 12,890,763 |
| | | | | | | |
| **College's proportion of the Total OPEB Liability (%)** | 0.20821473% | 0.20059487% | 0.21875792% | 0.22182680% | 0.21608721% | 0.22126900% |
| **Covered-employee payroll** | $ 19,159,682 | $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** | 46.167306% | 77.556593% | 78.564764% | 82.073923% | 73.453177% | 87.468987% |

Note: These schedules will be built prospectively until they contain 10 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.