Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

South Puget Sound Community College

For the period July 1, 2022 through June 30, 2023

Published December 30, 2024

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Office of the Washington State Auditor
Pat McCarthy

December 30, 2024

Board of Trustees
South Puget Sound Community College
Olympia, Washington

Report on Financial Statements

Please find attached our report on the South Puget Sound Community College's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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South Puget Sound Community College
July 1, 2022 through June 30, 2023

2023-001 South Puget Sound Community College lacked adequate internal controls to ensure its financial statements and related schedules were accurately prepared and reviewed.

Background

The State Board for Community and Technical Colleges (SBCTC) oversees community colleges throughout the state, providing general guidance and centrally tracked financial statement figures. College management, however, is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. These controls should ensure the College follows all generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB) statements.

Description of Condition

The College's preparation and review process did not ensure that the financial statements were accurate, complete and prepared in accordance with GAAP.

We found the following deficiencies in internal controls over financial reporting that, when taken together, represent a material weakness. The College did not:

- Perform monthly reconciliations between the general ledger and bank statements in a timely manner
- Establish a process to review and cancel outstanding checks
- Effectively review investment activity to ensure assets were classified in accordance with accounting standards
- Effectively review capital asset activity to ensure related balances reported all existing assets, that the assets were classified in accordance with accounting standards, and that depreciation expense was properly reported
- Ensure the financial statements and related schedules submitted for audit were final and agreed to underlying accounting records
- Effectively review revenues and expenditures to ensure they were reported in the proper period

Cause of Condition

The College converted its general ledger software systems in May 2022, and experienced significant turnover in key financial positions. The College lacked proper staffing and resources to complete timely and accurate reconciliations of various balances. The College also did not allow adequate time for thorough review of the financial statements before the audit.

Effect of Condition

We found the following errors in the College's financial statements. The College:

- Did not properly classify construction in progress during the audit period, resulting in a $3,441,079 misclassification error of capital assets
- Overstated cash and investments by $2,155,061
- Did not properly classify investments on the statement of net position and related note disclosures resulting in an understatement of short-term investments of $1,980,691
- Did not provide documents that agreed to accounting records to substantiate $818,472 of the buildings account and $344,287 of the machinery & equipment account in the capital assets balance
- Capitalized $104,874 in assets in the current year that it should have capitalized in the prior year
- Did not record expense transactions in the correct period, resulting in a likely overstatement of $146,660 of purchased services
- Did not properly classify net pension liability on the statement of net position and related note disclosures resulting in an understatement of short-term net pension liability of $67,612
- Did not depreciate any capital assets purchased during the audit period, which resulted in an understatement of $26,495 of depreciation expense
- Did not record earned revenue transactions in the correct period, resulting in an overstatement of $20,328

The College did not correct these errors.

We also found the following errors in the College's financial statements. The College:

- Understated deferred inflows related to other postemployment benefits by $5,883,345
- Understated cash and cash equivalents on the statement of cash flows by $997,177
- Overstated scholarship discounts and allowances by $827,728
- Overstated state appropriation revenues and corresponding expenditures by $680,862

The College subsequently corrected these errors during the audit.

We also identified several miscellaneous presentation errors in the financial statements and related disclosures that had varying levels of effect on their understandability. The College corrected most of these errors.

Recommendation

We recommend the College dedicate the necessary time and resources to:

- Establish internal controls to ensure staff perform monthly bank reconciliations
- Establish internal controls to ensure staff responsible for preparing financial information have adequate training and resources to present financial statements and schedules accurately, completely and in compliance with GAAP
- Implement an effective review process of future financial statements and related schedules to ensure it identifies and corrects errors before submitting them for audit

College's Response

South Puget Sound Community College (SPSCC) acknowledges and agrees with the findings of the State Auditor's Office in the FY 2023 audit report. The College recognizes the critical importance of implementing robust internal controls to ensure that its annual financial statements and related schedules are accurately prepared and thoroughly reviewed in accordance with generally accepted accounting principles (GAAP) and the Governmental Accounting Standards Board (GASB) standards.

The College's transition to a new ERP system in May 2022, combined with significant personnel turnover, created challenges in maintaining adequate staffing and training within the Financial Services department through the end of FY 2023. Consequently, SPSCC was unable to consistently perform monthly bank reconciliations during FY 2023. This led to errors in the final cash balances reported in the financial statements as of June 30, 2023. While several of the concerns addressed are related to presentation errors during the audit review, it is important to note that some of the errors identified were due to the lack of comprehension of how to process certain transactions within the newly deployed ctcLink system. Consequently, some transactions during this period were not processed in a timely manner. The College has made corrections and have worked to improve procedures, training, and ensure greater comprehension with current and newly employed staff.

Additionally, the transition to the new Asset Management system, which replaced the legacy Direct Line system, was implemented without adequate training. This contributed to errors in the classification of capital assets and depreciation within the FY 2023 financial statements.

To address these issues, the College has implemented the following corrective measures:

1. ***Enhanced Staffing and Reconciliation Processes:***

    - *The College has hired additional personnel and have procured additional resources as necessary to perform monthly reconciliations and account analyses.*
    - *A more effective and thorough bank reconciliation process has been developed. While this process remains labor-intensive due to limitations of the current ERP system, SPSCC continues to collaborate with the State Board for Community and Technical Colleges (SBCTC) to identify and resolve issues efficiently. SBCTC is actively working on enhancements to improve bank reconciliation tools.*

2. ***Training and Professional Development:***

    - *SPSCC is committed to ensuring all Finance Pillar staff participate in SBCTC's year-end training programs.*
    - *Staff responsible for financial statement preparation will be provided with additional external training opportunities in governmental accounting, GAAP, and GASB standards.*

- *The College plans to hire a Senior Accountant to assist in financial statement preparation and to regularly verify financial data in coordination with SBCTC.*

3. Standard Operating Procedures and Review Processes:

- *The College has developed a comprehensive standard operating procedure (SOP) document to guide the processing of Cash and Asset Management transactions.*
- *A revised review process for sub-module entries has been implemented to ensure accuracy before monthly General Ledger closings. This measure ensures the correct financial accounts are accurately updated through General Ledger interfaces.*
- *The College has plans to create a control document to track and monitor timely and accurate preparation and review of financial statements and related schedules. The control document will designate and assign employee responsibilities for the accounts based on their roles and how the roles relate to the financial statements. Frequency of account reconciliation and supporting documentation required will be included on the control document. Review responsibility will be assigned for each account and evidence of the review will be required on the control sheet by the reviewer.*

SPSCC remains committed to addressing the audit finding and strengthening its internal controls to maintain accurate and reliable financial reporting. We appreciate the State Auditor's Office's recommendations and will continue to take proactive measures to ensure compliance and accountability.

Auditor's Remarks

We thank the College for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the College's corrective action during our next audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

The Office of Financial Management's *State Administrative and Accounting Manual* (SAAM), Section 20.15 establishes the responsibilities for identifying risks and establishing, maintaining, and reviewing agency internal control systems.

The Office of Financial Management's *State Administrative and Accounting Manual* (SAAM), Section 85.60.60 established that all agencies are to reconcile their authorized capital asset management system with the balances in the general ledger to ensure accuracy.

The Office of Financial Management's *State Administrative and Accounting Manual* (SAAM), Section 85.50.40.c. establishes that accounts maintained in financial institutions or credit unions, including petty cash accounts, are to be promptly reconciled with agency records on a monthly basis.

INDEPENDENT AUDITOR'S REPORT

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

South Puget Sound Community College
July 1, 2022 through June 30, 2023

Board of Trustees
South Puget Sound Community College
Olympia, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the South Puget Sound Community College, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 26, 2024.

Our report includes a reference to other auditors who audited the financial statements of the South Puget Sound Community College Foundation (the Foundation), as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Foundation or that are reported on separately by those auditors who audited the financial statements.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2023-001, that we consider to be a material weakness.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

COLLEGE'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

Pat McCarthy, State Auditor

Olympia, WA

December 26, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

South Puget Sound Community College
July 1, 2022 through June 30, 2023

Board of Trustees
South Puget Sound Community College
Olympia, 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 South Puget Sound Community College, as of and for the year 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 financial section of our report.

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

We did not audit the financial statements of the South Puget Sound 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 the other auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and 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 South Puget Sound Community College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

December 26, 2024

FINANCIAL SECTION

South Puget Sound Community College
July 1, 2022 through June 30, 2023

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2023

BASIC FINANCIAL STATEMENTS

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College Statement of Revenues, Expenses and Changes in Net Position – 2023
College Statement of Cash Flows – 2023
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REQUIRED SUPPLEMENTARY INFORMATION

Schedules of South Puget Sound Community College's Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, TRS 1, TRS 2/3 – 2023
Schedules of Contributions – PERS 1, PERS 2/3, TRS 1, TRS 2/3 – 2023
Schedule of Changes in the Net Pension Liability and Related Ratios – State Board Supplemental Defined Benefit Plans – 2023
Schedule of Employer Contributions – State Board Supplemental Retirement Plan – 2023
Schedule of Changes in the Total OPEB Liability and Related Ratios – Other Postemployment Benefit Information – 2023

Management's Discussion and Analysis

South Puget Sound Community College

The following discussion and analysis provide an overview of the financial position and activities of South Puget Sound Community College (the College) for the fiscal year ended June 30, 2023 (FY 2023). This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

South Puget Sound Community College is one of thirty public community and technical college districts in the State of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills, and community service educational programs to approximately 7,661 students. The College confers associate degrees, certificates, and high school diplomas. The College was established in 1962 and its primary purpose is to support student success in post-secondary academic transfer and workforce education that responds to the needs of the South Puget Sound region.

The College's main campus and Nursing Program (Dr. Angela J. Bowen Center for Health Education) is located in Olympia, Washington, a community of about 56,000 residents. The College has a smaller campus in the neighboring town of Lacey, Washington a community of about 53,000 residents. In addition to these three locations is the Craft, Brewing, and Distilling (CBD) program located in Tumwater, Washington, a community of approximately 25,000 residents.

The College is governed by a five-member Board of Trustees appointed by the governor of the state with the consent of the state Senate. By Washington State law governing technical colleges, the College's board includes one member from business and one member from labor. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its discretely presented component unit, the South Puget Sound Community College Foundation. The College's financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2023. The Statement of Revenue, Expenses, and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the college's financial health.

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

Statement of Net Position

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

South Puget Sound Community College
Condensed Statement of Net Position
As of June 30, 2023

		2023	2022
Assets			
	Current Assets	25,996,128	32,723,240
	Capital Assets, net	145,467,284	145,353,329
	Net Pension Asset	2,846,639	8,207,918
	Other Assets, non-current	4,725,178	3,525,826
Total Assets		179,035,229	189,810,313
Deferred Outflows of Resources		8,256,386	6,146,862
Liabilities			
	Current Liabilities	12,103,534	10,296,396
	Other Liabilities, non-current	42,155,265	48,565,711
Total Liabilities		54,258,799	58,862,107
Deferred Inflows of Resources		15,685,275	15,461,875
Net Position			
	Net Investment in Capital Assets	122,565,711	121,498,484
	Restricted	(1,353,225)	1,180,473
	Net Pension Asset	2,846,639	8,207,918
	Unrestricted	(6,711,584)	(9,253,682)
Total Net Position, as restated		117,347,541	121,633,193

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

Current assets consist primarily of cash, investments, and various accounts receivables. The significant decrease in current assets in FY 2023 can be attributed to the aggressive collection process the College undertook in FY 23. The biggest decreases in receivables are from Running

Start - $1,760,509, CARES/ARP- $966,160, and VPA state allocation reimbursements - $1,035,911. Allowance for doubtful accounts increases by $648,735.

Not considering depreciation expense, net capital assets increased by $113,955 from FY 2022 to FY 2023. The majority of the increase is related to the welding project of Bldg. 16- Automotive /Central Services, water damage repair of Bldg. 20- Child Care, and repair renovation of Bldg. 27- Bookstore /Food Services

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and post-employment benefits as per GAAP. The increase in deferred outflows reflects the College's proportionate share of an increase in the state-wide amounts reported by the Department of Retirement System (DRS0 and Health Care Authority (HCA) due to differences between expected and actual experience related to the actuarial assumption. The College recorded $8,256,386 in FY23 and $6,146,862 in FY22.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of Certificate of Participation (COP) debt, leases, deposits held for others, and unearned revenue, as well as the current portion of right-to-use leases. 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. The increase in FY 2023 over FY 2022 is largely representative of the aforementioned, specifically in the areas of Nursing, Facilities, Information Services, and CBD. Unearned revenue also increased from FY22 due to changes and the timing of enrollment for the summer and fall semesters and the use of CARES/HERF funds. This is also due to a full year of accrual-based accounting principles in the ctcLink system as compared to a partial year of cash-based accounting principles in the previous legacy system in FY22

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees, the long-term portion of Certificates of Participation debt, and the Right-to-use lease liability. The Right-to-use lease liability decreased by the payments made during the year. The College's non-current liabilities also decreased as the College paid $1,020,00 in principal in COPs for FY 2023.

Deferred inflows of resources represent deferrals in pensions and other post-employment benefits (OPEB) related to GASB Statement No 68 and GASB Statement No 75. The College recorded $15,685,275 in FY23 and $15,461,875 in FY22.

Statement of Revenue, Expenses and Changes in Net Position

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

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

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

The net position represents the value of the College's assets and deferred outflows after liabilities and deferred inflows are deducted. The College is required by accounting standards to report its net position in four categories:

***Net Investment in Capital Assets* –** The College's total investment in property, plant, equipment, and infrastructure net of accumulated depreciation and outstanding debt obligations related to those capital assets. Changes in these balances are discussed above.

Restricted:

Nonexpendable – consists of funds in which a donor or external party has restricted that the corpus or principal is not available for spending but for investment purposes only. Historically, donors interested in establishing such funds to benefit the College or its students have chosen to do so through the Foundation. As a result, the College is not reporting any balance in this category.
***Expendable* –** resources the College is legally or contractually obligated to spend by restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The primary expendable funds for the College are institutional Financial Aid funds required to be set aside from tuition revenue, capital project funds, and the expendable portion of endowments.

***Net Pension Assets* –**This component of net position consists of the net pension asset, without addition for deferred outflows of resources related to pensions or reduction for deferred inflows of resources related to pensions.

***Unrestricted* –** Includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management. Prudent balances are maintained for use as working capital, as a reserve against emergencies, and for other purposes, by policies established by the Board of Trustees.

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

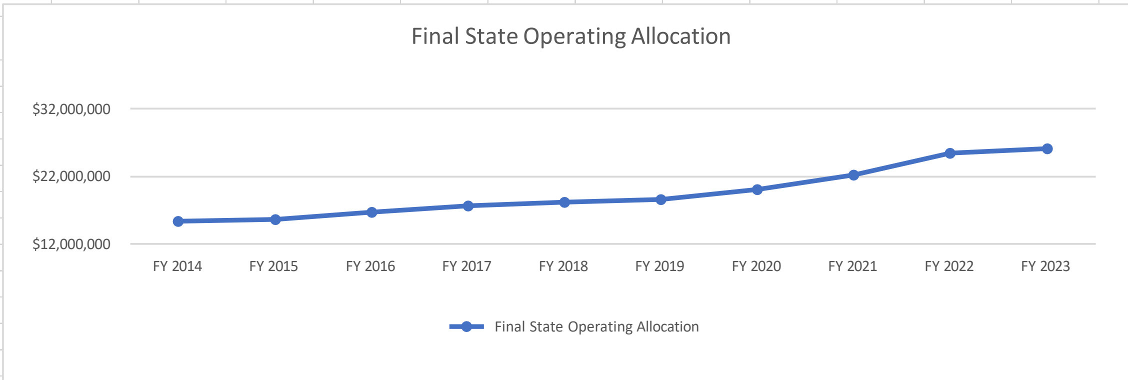
South Puget Sound Community College
Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023 and 2022

Operating Revenues		**2023**	**2022**
	Student tuition and fees, net	6,528,420	6,494,695
	Auxiliary enterprise sales	104,435	135,185
	Grants and contracts	18,544,662	17,460,535
	Other operating revenues	23,410,368	14,637,186
	Total operating revenues	**48,587,885**	**38,727,601**
Non-Operating Revenues			
	State appropriations	26,036,959	25,453,022
	Federal grant revenue	4,618,278	16,002,363
	Other non-operating revenues	562,020	1,085,513
	Total non-operating revenues	**31,217,257**	**42,540,898**
Total revenues		**79,805,143**	**81,268,499**
Operating Expenses			
	Salaries and Benefits	37,913,797	34,065,238
	Scholarships	7,120,127	10,665,297
	Depreciation	4,796,063	4,901,478
	Other operating expenses	34,159,366	21,499,166
	Total operating expenses	**83,989,353**	**71,131,179**
Non-Operating Expenses			
	Building fee remittance	1,050,753	1,311,925
	Other non-operating expenses	2,655,587	1,333,404
	Total non-operating expenses	**3,706,340**	**2,645,329**
Total expenses		**87,695,693**	**73,776,508**
	Excess (deficiency) before capital contributions	**(7,890,551)**	**7,491,991**
	Capital appropriations and contributions	**3,604,899**	**666,185**
	Change in Net position	**(4,285,651)**	**8,158,176**
Net Position			
	Net position, beginning of year	**121,633,193**	**113,475,017**
	Net position, end of year	**117,347,542**	**121,633,193**

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

Revenues

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

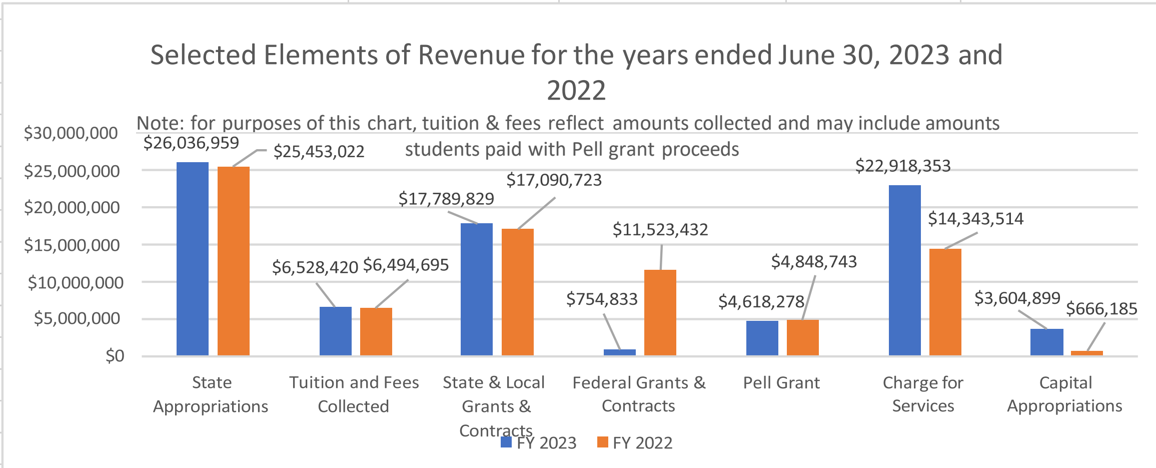


The number of students enrolled in FY 2023 (7,661) slightly increased compared to FY 2022 (7,595), resulting increase in tuition & fees by $33,725 .

In FY 2023, grant and contract revenues increased by $1,084,127 when compared with FY 2022. The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses. The Running Start Esser Fund Program was offered in FY 2023.

Pell grant revenues generally follow enrollment trends. Although the College experienced a slight increase in enrollments, Pell Grant revenue decreased by $230,465. There was also a decrease in Federal Grant revenue mainly attributed to the end of the CARES/HEERF funding. Other Revenues increased by **$8,773,182** compared to FY 2022, which largely comprises Charges for Services revenue for programs offered by Continuing and Corporate Education.

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. By accounting standards, the amount shown as capital appropriation revenue on the financial statement is the amount expended in the current year. Expenses from capital project funds that do not meet accounting standards for capitalization are reported as operating expenses. Those expenses that meet the capitalization standard are not shown as expenses in the current period and are instead recognized as depreciation expenses over the expected useful lifetime of the asset.

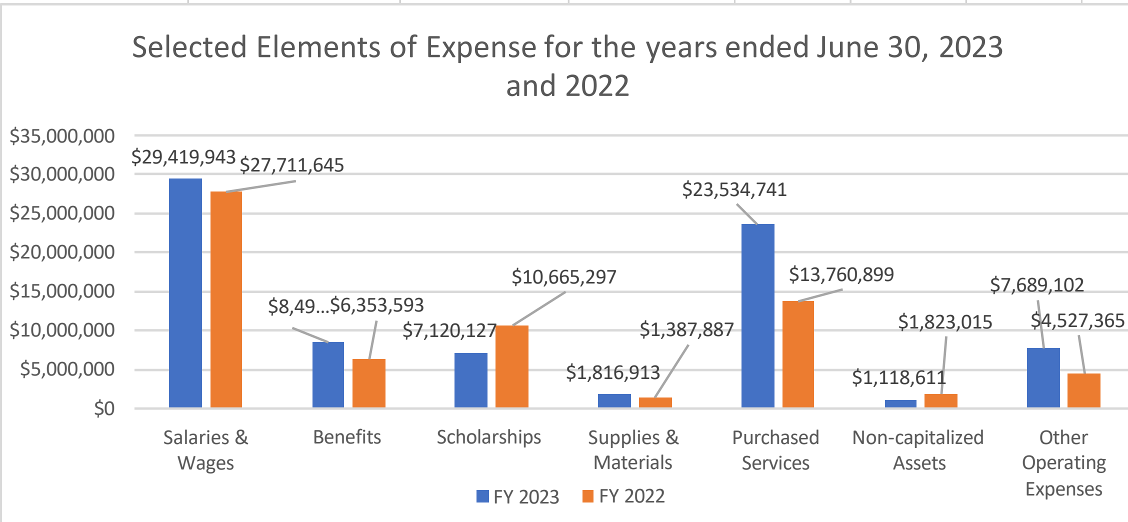


Expenses

Faced with continuing budget cuts throughout the pandemic due to declining enrollment and a downturn in external economic conditions, the College has continuously sought opportunities to identify savings and efficiencies. As noted in FY 2022, the college continued to decrease spending where possible, mostly in reduced programmatic offerings where possible and a reduction of staff and faculty through held positions and attrition. However, in FY 2023, overall operating expenses increased by **$12,858,174.**

Salary and Benefit costs increased by $3,848,558 due to the salary increase and the COLA benefit increase by the Legislature, adding positions, negotiated increases for classified staff, and having to compete in the job market to replace retiring exempt employees and faculty. Supplies increased by $429,026. Purchase services increased by $9,773,842. Scholarships decreased by **$3,545,170**, and also Non* non-permealized assets decreased by $704,404. It is important to note that while there is a large variance for this category, as noted in FY 2022, the variance is relative to the change in coding due to the ctcLink system conversion from the Legacy system.

Comparison of Selected Operating Expenses by Function
The chart below shows the amount, in dollars, for selected functional areas of operating expenses for FY 2023 and FY 2022.



Capital Assets and Long-Term Debt Activities
The community and technical college system submit a single prioritized request to the Office of Financial Management and the Legislature for appropriated capital funds, which includes major projects, minor projects, repairs, emergency funds, alternative financing, and major leases. The primary funding source for college capital projects is state general obligation bonds. In recent years, declining state revenues significantly reduced the state's debt capacity and are expected to continue to impact the number of new projects that can be financed. In addition, the College has one of four community college projects that were funded through a Certificate of Participation (COP) against which system-wide building fee monies were pledged.

On June 30, 2023, the College had invested $145,467,284 in capital assets, net of accumulated depreciation. This represents an increase of $113,975 from last year, as shown in the table below.

Asset Type	June 30 2023	June 30 2022	Change
Land	3,436,782	3,436,782	0
Construction in Progress	183,007	183,007	(0)
Buildings, net	134,221,052	134,918,445	(697,393)
Other Improvements and Infrasctructure, net	2,915,598	2,437,113	478,485
Equipment Net	4,671,622	4,343,713	327,909
Library Resources, net	39,222	34,249	4,973
Lease Assets, Net	2,103,463	2,415,087	(311,624)
Total Capital Assets, net	147,570,747	147,768,396	(197,649)

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

Net capital assets increased primarily due to the result of additional capitalized assets related to Bldg. 16 Automotive /Central Services, Bldg. 20- Child Care, and Bldg. 27- Bookstore/Food Services. Additional information on capital assets can be found in Note #5 of the Notes to the Financial Statements

Right-to-use leased assets are also part of its capital assets. Right-to-use lease assets decreased by $311,624 in FY 2023 due to amortization. The amounts in the table below are reported net of accumulated amortization.

On June 30, 2023, the College had $22,840,000 in outstanding debt comprised entirely of Certificate of Participation (COP). The college implemented GASB 87, Leases in FY23, and restated FY22 for lease liabilities outstanding. Additional information on notes payable, long-term debt, and debt service schedules can be found in Notes 11 and 12 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

The State Board for Community and Technical Colleges allocates to each college/district funds received in the state's budget. The model is based on performance in several key indicators, from general enrollments to enrollments in high-cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, compared to other institutions in the state. Enrollment increases/decreases are directly related to the level of state operating appropriations in future years.

As the College continues to be affected by the results of the current economy and post-COVID-19 impacts, decreases in enrollments as compared to pre-COVID-19 have been experienced. Although colleges have historically seen an increase in enrollments during times of higher unemployment, that has not been the trend or experience for the college in FY 2023. The College will be looking closely at budgets and ways to innovate instruction to attract more students in FY

2024. The college is optimistic that with changes in instructional modality, persistent outreach, and continued institutional efforts centered on student success; students will continue to choose SPSCC as their institution of choice in their pursuit of academic achievement.

South Puget Sound Community College Statement of Net Position as of June 30, 2023			
		ASSETS & DEFERRED OUTFLOWS OF RESEOURCES	
Assets			
	Current assets		
		Cash and cash equivalents	**$ 8,778,881**
		Restricted cash	**2,639,335**
		Accounts receivable, net of allowances	**14,577,911**
		Total current assets	**25,996,128**
	Non-Current Assets		
		Long-term investments	**2,621,714**
		Non-depreciable capital assets	**3,619,789**
		Capital assets, net of depreciation	**141,847,495**
		Leased assets, net of amortization	**2,103,463**
		Net pension asset	**2,846,639**
		Total non-current assets	**153,039,101**
		Total assets	**179,035,229**
	Deferred Outflows of Resources		
		Deferred outflows related to pensions	**5,702,036**
		Deferred outflows related to OPEB	**2,554,350**
		Total deferred outflows of resources	**8,256,386**
	The footnote disclosures are an integral part of the financial statements.		

South Puget Sound Community College
Statement of Net Position
as of June 30, 2023

LIABILITIES , DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Liabilities			
	Current Liabilities		
		Accounts payable	6,173,773
		Accrued liabilities	2,703,842
		Compensated absences, current portion	6,378
		Deposits payable	30
		Unearned revenue	1,581,744
		Leases and Certificates of participation payable, current portion	1,317,531
		Total OPEB liability, current portion	320,237
		Total current liabilities	12,103,534
	Non-Current Liabilities		
		Compensated absences	2,767,910
		Leases and Certificates of participation payable, long term portion	23,687,506
		Net pension liability	3,331,584
		Total OPEB liability	12,368,265
		Total non-current liabilities	42,155,265
		Total liabilities	54,258,799
	Deferred Inflows of Resources		
		Deferred inflows related to pensions	4,900,963
		Deferred inflows related to OPEB	10,784,312
		Total deferred inflows of resources	15,685,275
	Net Investment in Capital Assets		122,565,711
	Restricted for:		
		Expendable	(1,353,225)
		Net Pension Asset	2,846,639
	Unrestricted (deficit)		(6,711,584)
		Total Net Position	$ 117,347,541

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

South Puget Sound Community College Statement of Revenues, Expenses and Changes in Net Position For the Year Ended June 30, 2023		
Operating Revenues		
Student tuition and fees, net of scholarship discounts and allowances		$ **6,528,420**
Auxiliary enterprise sales		104,435
State and local grants and contracts		17,789,829
Federal grants and contracts		754,833
Charges for Services		22,918,353
Other operating revenues		492,015
	Total operating revenue	**48,587,885**
Operating Expenses		
Salaries and wages		29,419,943
Benefits		8,493,853
Scholarships and fellowships		**7,120,127**
Supplies and materials		1,816,913
Depreciation and amortization		4,796,063
Purchased services		23,534,741
Utilities		1,258,200
Non Capitalized Assets		1,118,611
Other operating expenses		6,430,902
	Total operating expenses	**83,989,353**
	Operating income (loss)	**(35,401,468)**
Non-Operating Revenues (Expenses)		
State appropriations		**26,036,959**
Federal Pell grant revenue		4,618,278
Federal non-operating revenue		345,093
Investment income, gains and losses		216,927
Building fee remittance		(1,050,753)
Innovation fund remittance		(236,719)
Interest on indebtedness		(1,153,973)
Other Non- Operating Expenses		(1,264,896)
	Net non-operating revenue (expenses)	**27,510,917**
Income or (loss) before other revenues, expenses, gains, or losses		**(7,890,551)**
Capital Contributions		
Capital appropriations		**3,604,899**
	Increase (Decrease) in net position	**(4,285,651)**
Net Position		
Net position, beginning of year		**121,633,193**
Net position, beginning of year, as restated		**121,633,193**
Net position, end of year		$ **117,347,542**
The footnote disclosures are an integral part of the financial statements.		

South Puget Sound Community College Statement of Cash Flow June 30, 2023			
Cash flow from operating activities			
	Student tuition and fees		**8,804,396**
	Grants and contracts		**32,396,757**
	Payments to vendors		**(4,896,800)**
	Payments for utilities		**(1,091,769)**
	Payments to employees		**(30,145,029)**
	Payments for benefits		**(10,246,159)**
	Auxiliary enterprise sales		**98,770**
	Payments for scholarships and fellowships		**(7,120,127)**
	Other receipts		**11,972,601**
	Other (payments)		**(25,351,654)**
		Net cash used by operating activities	**(25,579,013)**
Cash flow from noncapital financing activities			
	State appropriations		**26,036,959**
	Pell grants		**4,618,278**
	Federal nonoperating revenue		**345,093**
	Building Fee remittance		**(1,050,753)**
	Innovation Fee remittance		**(236,719)**
	Interest Expense		**(1,153,973)**
	Other nonoperating revenue		**187,716**
	Other non operating expense		**(1,264,896)**
		Net cash provided by noncapital financing activities	**27,481,707**
Cash flow from capital and related financing activities			
	Proceeds from capital debt		**1,317,531**
	Capital appropriations		**3,604,899**
	Purchases of capital assets		**(4,598,394)**
	Principal paid on capital debt		**(2,582,427)**
	Interest paid		**(1,153,973)**
		Net cash used by capital and related financing activ	**(3,412,364)**
The footnote disclosures are an integral part of the financial statements			
Cash flow from investing activities			
	Purchase of investments		**(499,709)**
	Income of investments		**187,716**
		Net cash provided by investing activities	**(311,992)**
	The footnote disclosures are an integral part of the financial statements.		

South Puget Sound Community College
Statement of Cash Flow (continued)
June 30, 2023

Increase (decrease) in cash and cash equivalents	**(1,821,663)**
Cash and cash equivalents at the beginning of the year	**13,239,879**
Cash and cash equivalents at the end of the year	**11,418,216**
Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	**(35,401,468)**
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	**4,796,063**
Changes in assets and liabilities	
Receivables, net	**3,923,393**
Accounts payable	**2,819,145**
Accrued liabilities	**(684,278)**
Unearned revenue	**761,245**
Compensated absences	**53,770**
Pension asset	**5,361,279**
Pension liability adjustment expense	**(6,903,048)**
OPEB liability adjustment expense	**(305,115)**
Net cash used by operating activities	**(25,579,013)**

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

SOUTH PUGET SOUND COMMUNITY COLLEGE FOUNDATION CONSOLIDATED STATEMENTS OF FINANCIAL POSITION December 31, 2022	
CURRENT ASSETS	**2022**
Cash and cash equivalents	$ 1,394,489
Certificates of deposit	150,000
Promises to give, net	785,989
Investments	11,415,924
Inventory	6,655
Prepaid expenses	34,661
TOTAL ASSETS	$ 13,787,718
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES Accounts payable	$ 31,503
Grants payable	12,993
Total Liabilities	44,496
NET ASSETS Without donor restrictions Unrestricted	3,019,560
Board-designated - endowment	450,000
With donor restrictions	10,273,662
Total Net Assets	13,743,222
TOTAL LIABILITIES AND NET ASSETS	$ 13,787,718

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

SOUTH PUGET SOUND COMMUNITY COLLEGE FOUNDATION CONSOLIDATED STATEMENTS OF ACTIVITIES Year Ended December 31, 2022			
REVENUE AND SUPPORT	Without Donor Restrictions	With Donor Restrictions	Total
Contributions Individuals	$ 706,971	$ 941,332	$ 1,648,303
In-kind	856,843		856,843
Net investment loss	(603,957)	(1,335,653)	(1,939,610)
Special events income	147,009		147,009
Net assets released from restrictions	1,835,383	(1,835,383)	
Total Revenue and Support	2,942,249	(2,229,704)	712,545
FUNCTIONAL EXPENSES Program services	2,966,507		2,966,507
Supporting services General and administrative	175,637		175,637
Fundraising	184,410		184,410
	360,047		360,047
Total Functional Expenses	3,326,554		3,326,554
CHANGE IN NET ASSETS	(384,305)	(2,229,704)	(2,614,009)
Net Assets at the Beginning of the Year	3,853,865	12,503,366	16,357,231
NET ASSETS AT THE END OF THE YEAR	$ 3,469,560	$ 10,273,662	$ 13,743,222

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

Notes to the Financial Statements

June 30, 2023
These notes form an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity
South Puget Sound Community College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers 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 South Puget Sound Community College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1982 and recognized as a tax-exempt 501(c)(3) charity. The Foundation's charitable purpose is to enhance the educational quality and accessibility at the College by soliciting financial and in-kind support for the institution. Because donors restrict most of the Foundation's income and resources 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 in Governmental Accounting Standards Board (GASB) Statement. A discrete component unit is an entity that 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 by 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 calendar year ended December 31, 2022, the Foundation distributed approximately $3,326,554 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)596-5430

Basis of Presentation
The financial statements have been prepared by GASB Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments as amended by GASB. 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). By BTA reporting, the College presents a Management Discussion and Analysis; a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial Statements. The format provides a comprehensive, entity-

wide perspective of the college's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position, and cash flows.

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

Non-exchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange, include state and federal appropriations, and certain grants and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met.
The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Investments
Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. The College records all cash and cash equivalents at fair value. Investments in the state's LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. All other investments are reported at fair value.

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

Capital Assets
By 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 expenses in the year in which the expense was incurred. By the state capitalization policy, all land, intangible assets 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 a lower cost or fair value. On June 30, 2023, no assets had been written down

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

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

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

OPEB Liability
The college reports its share of OPEB liability by 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 the consumption of net position that applies to a future period. Deferred inflows of resources represent the acquisition of a net position that applies 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. 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 about 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 who are provided with pensions through each pension plan. Employer transactions to pension plans made after the measurement date are also deferred and reduce pension liabilities in the subsequent year.

The portion of differences between expected and actual experience about 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 earnings 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 after 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 for Expendable. These include resources the College is legally or contractually obligated to spend by restrictions imposed by third parties. Restricted for expendable consists of institutional aid fund established for the explicit purpose of providing student support as prescribed by RCW 28B15820
Restricted for Pensions This component of net position consists of the net pension asset without addition for deferred outflows of resources related to pensions or reduction for deferred inflows or resources related to pensions.

Unrestricted. 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 policy is to first apply the expense towards restricted resources and then towards unrestricted resources where possible

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. Examples include a contract with OSPI to offer Running Start and/or Technical High School. The college also receives Adult Basic Education grants that support the primary educational mission of the college.

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

Non-operating Revenues. This includes activities that are not directly related to the ongoing operations of the College, such as gifts and contributions, state appropriations, investment income, and Pell Grants received from the federal government. In FY 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 revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the student's behalf. Certain governmental grants, such as Pell Grants, and other Federal, State, or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. **Discounts and allowances for the year ending June 30, 2023 is $7,181,781**

State Appropriations
The State of Washington appropriates funds to the College on both an annual and biennial basis. These revenues are reported as non-operating revenues on the Statements of Revenues, Expenses, and Changes in Net Position, and recognized as such when the related expenses are incurred.

Building and Innovation Fee Remittance
Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature and 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 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. Every month, the College remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the statement of revenues, expenses, and changes in net position.

Note 2 – Accounting and Reporting Changes

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, effective FY25. It guides measuring liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. The college is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.

In June 2022, GASB issued GASB Statement No. 100, Accounting Changes and Error Corrections, which prescribes the accounting and reporting for each type of accounting change and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The College will adopt this standard in fiscal year 2024 and has not fully determined the impact of implementing GASB Statement No. 100.

In April 2022, GASB issued GASB Statement No. 99, Omnibus 2022, which was issued to enhance comparability in accounting and financial reporting in various areas including derivatives, leases, public-private and public-public partnerships, subscription-based information technology arrangements, as well as others. The College will adopt this statement in line with the dates as outlined in the standard, which varies depending on the applicable paragraph beginning in fiscal year 2022 through fiscal year 2024. The College has not fully determined the impact of implementing GASB Statement No. 99 will have on its financial statements.

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 in 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 the 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 investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of shared 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 $11,418,216 as represented in the table below.

Cash & Cash Equivalents	as of June 30, 2023
Petty Cash & Change Funds	$ 3,625
Bank Demand and Time Deposits	$ 5,402,917
Local Government Investment Pool	$ 6,011,675
	$ 11,418,217

Custodial Credit Risks—Deposits

Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The majority of the College's demand deposits are with U.S 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

Investments consist of US Treasury and Agency Securities

Fair value measurement is based on the assumptions that market participants would use in pricing the asset. The three levels of the fair value hierarchy are described as:

Level 1 – Quoted market prices: Unadjusted quoted prices available in active markets for identical assets or liabilities

Level 2 – Observable inputs: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3 – Unobservable inputs that are significant to the fair value measurement.

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. All of the College's investments fall within the hierarchy of Level 2.

Investment Type	Fair Value	One Year or Less	1-5 Years	6-10 Years	10 or More Years
US Agency Obligations	2,621,714		1,131,357	1,490,357	
Total Investments	2,621,714	-	1,131,357	1,490,357	-

Interest Rate Risk—Investments

The College manages its exposure to changes in interest rate changes by staggering portfolio maturity dates.

Concentration of Credit Risk—Investments
State law limits College operating investments to the highest quality sectors of the domestic fixed-income market and specifically excludes corporate stocks, corporate and foreign bonds, futures contracts, commodities, real estate, limited partnerships, and negotiable certificates of deposit. College policy does not limit the amount the College may invest in any one issuer.

Custodial Credit Risk—Investments
Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. On June 30, 2023, $2,621,714 of the College's operating fund investments, held by U.S. Bank in the bank's name are exposed to custodial credit risk as follows.

Investment Exposed to Custiodial Risk	Fair Value
US Bank	2,621,714
Total Investment Exposed to Custodial Risk	2,621,714

Investment Expenses
Investment income for the College is shown net of investment expenses. There were no investment expenses incurred for the fiscal year ended June 30, 2023.

Note 4 - Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. It also includes amounts due from federal, state, and local governments or private sources in connection with reimbursements of allowable expenses made according to sponsored agreements. At June 30, 2023, accounts receivable was as follows:

Accounts Receivable	Amount
Student Tuition and Fees	$ 638,410
Due From the Federal Government	2,624,002
Due From Other State Agencies	8,559,995
Others	3,785,818
Sub -Total	$ 15,608,224
Less Allowance for Uncollectible Accounts	(1,030,313)
Total Accounts Receivable, Net	$ 14,577,911

Note 5 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2023, is presented as follows. The current year's depreciation expense was **4,796,063**.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Non Depreciable Capital Assets				
Land	$ 3,436,782	$ -	$ -	$ 3,436,782
Construction in progress	183,007	-	-	183,007
Total capital assets, non-depreciable	3,619,789	-	-	3,619,789
Depreciable Capital Assets				
Buildings	180,049,510	2,870,084	-	182,919,594
Other improvements and infrastructure	7,418,969	570,995	-	7,989,964
Equipment	11,777,941	1,142,020	-	12,919,961
Library resources	2,364,812	15,296	-	2,380,108
Leased Assets- Building	3,116,242			3,116,242
Sub Total Depreciable Capital Assets	204,727,473	4,598,395	-	209,325,868
Less accumulated depreciation				
Buildings	45,131,064	3,567,477	-	48,698,541
Other improvements and infrastructure	4,981,856	92,510	-	5,074,365
Equipment	7,434,208	814,130	-	8,248,338
Library resources	2,330,563	10,322	-	2,340,886
Leased Assets- Building	701,154	311,624		1,012,778
Sub total Accumulated Depreciation	60,578,845	4,796,063	-	65,374,909
Total Depreciable Capital Assets	144,148,628	(197,668)	-	143,950,959
Capital assets, net of Accumulated Depreciation	$ 147,768,416	$ (197,668)	$ -	$ 147,570,748

Note 6 - Accounts Payable and Accrued Liabilities

Accrued liabilities as of June 30, 2023, were as follows:

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Emloyees	$ 1,496,883
Accounts Payable	6,173,773
Amoutns Held for Others & Retainage	1,206,959
	$ 8,877,614

Note 7 - Unearned Revenue

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

Unearned Revenue	Amount
Summer & Fall Quarter Tuition & Fees	$ 1,581,744
Total Unearned Revenue	$ 1,581,744

Note 8 - Risk Management

The College is exposed to various risks 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 over 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 the 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 over the coverage amount within the past three years.

The College, by state policy, pays unemployment claims on a pay-as-you-go basis. There are no payments made for claims from July 1, 2022, through June 30, 2023.

Note 9 - Compensated Absences

At the termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Depending upon employment type, employees who retire receive 25% of the value of their accumulated sick leave and 100% of their accumulated vacation leave either as a cash payment or credit to a Voluntary Employees' Beneficiary Association (VEBA)) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth of the total balance on the payroll records. The accrued vacation leave totaled $1,549,400 and accrued sick leave totaled $1,218,510 on June 30, 2023.

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

Note 10 – Leases Payable

Right-to-Use Lease Liabilities

The College has a lease for a building. The College adopted GASB Statement No.87 in FY 2022 and recorded a lease liability of $2,165,036 as of June 30, 2023. The lease liability is reported as a net present value using the State of Washington's incremental borrowing rate unless otherwise noted in the contract term. The amount of variable lease payments for FY 2023 was $315, 588. This lease expires in March 2030.

As of June 30, 2023, the minimum lease payments under these right-to-use leases consist of the following:

Fiscal Year	Principal		Interest		Total	
2024	$	297,531	$	18,057	$	315,588
2025		305,299		15,394		320,693
2026		323,422		12,586		336,008
2027		326,312		9,696		336,008
2028		329,228		6,780		336,008
2029		332,170		3,838		336,008
2030-(7/01/28-3/01/30)		251,074		932		252,006
Total Minimum Lease Payments	$	2,165,036	$	67,283	$	2,232,319

Note 11 - Notes Payable

In February 2019, the College obtained financing to replace a building, renovate a building, and construct a Health and Wellness Center through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) for $14,340,000**.** The students assessed themselves, every quarter, a mandatory fee to service the debt starting in Fall Quarter 2017. The interest rate charged is 3.356%. Student fees and obligation transfers related to the Health and Wellness Building COP are accounted for in dedicated accounts, which are used to pay principal and interest, not coming out of the general operating budget.

In August 2014, the College obtained financing to remodel Lacey Campus Building 1 through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) for $4,700,000. The interest rate charged is 3.181%.

In February 2019, the college obtained financing for property acquisition at 2421 Heritage Court through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) for $3,465,000. The interest rate charged is 3.359%.

In 2022, the college obtained financing for the Bowen building construction through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) for $3,980,000. The interest rate charged is 2.49%.

The College's debt service requirements for this (these) note agreement(s) for the next five years and thereafter are as follows in **Note 12.**

Note 12 - Annual Debt Service Requirements

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

Certificate of Participation			
Fiscal Year	Principal	Interest	Total
2024	$ 1,020,000	$ 1,082,300	$ 2,102,300
2025	1,065,000	1,030,425	2,095,425
2026	1,130,000	975,925	2,105,925
2027	1,180,000	918,425	2,098,425
2028-2032	6,800,000	3,707,325	10,507,325
2033-2037	7,510,000	1,959,050	9,469,050
2038-2042	4,135,000	319,375	4,454,375
	$ 22,840,000	$ 9,992,825	$ 32,832,825

Note 13 - Schedule of Long-Term Liabilities

	Beginning Balance 7/1/2022	Additions	Reductions	Ending Balance 6/30/23	Current Portion
Certificate of Participation	23,810,000	-	1,020,000	22,790,000	1,020,000
Compensated Absences	2,720,518	521,565	474,173	2,767,910	6,378
Lease Liability	2,459,932	-	297,531	2,162,401	297,531
Net Pension Liability-DRS	935,047	2,249,981	912,708	2,272,320	
Net Pension Liability-SBRP	1,406,825	2,394,482	2,742,044	1,059,264	
Total OPEB Liability	19,000,251	5,182,120	11,500,454	12,681,917	320,237
Total	50,332,574	10,348,149	16,946,910	43,733,812	1,644,146

Note 14 - 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 by 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.

By 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 the fiscal year2023:

Aggregate Pension Amounts - All Plans	Total
Net pension assets	**$ (2,846,639)**
Net pension liabilities	**$ 3,331,584**
Deferred outflows of resources related to pensions	**$ 5,702,036**
Deferred inflows of resources related to pensions	**$ 4,900,963**
Pension expense	**$ 179,973**

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 by 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.

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

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

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

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

PERS
<u>Plan Description.</u> 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 members of either

Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.
PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

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

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

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

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

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

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

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

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

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

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

TRS

Plan Description. The Legislature established the Teachers' Retirement System (TRS) in 1938. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature. Membership eligibility 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 members 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, 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, instead 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, 2023were as follows:

	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rate	**10.39%**	**10.39%**	**14.69%**	**14.69%**
Actual Contributions	**$ 411,902**	**$ 678,269**	**$ 247,282**	**$ 309,043**

*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 the 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 June 30, 2021, valuation was based on the results of the *2013-2018 Demographic Experience Study Report* and the *2019 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 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.
- Correlations between the annual returns of each asset class with every other asset class.

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

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

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

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

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

Discount rate

The discount rate used to measure the total pension liability was 7%. 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% 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%, 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%) than the current rate.

Pension Plan	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS Plan 1	**2,193,127**	**1,641,579**	**1,160,207**
PERS Plan 2/3	**3,273,323**	**(2,779,583)**	**(7,752,428)**
TRS Plan 1	**856,469**	**630,742**	**433,428**
TRS Plan 2/3	**1,214,889**	**(67,059)**	**(1,109,263)**

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

Pension Liabilities/(Assets). On June 30, 2023, the College reported a net pension liability (asset) of $574,320 for its proportionate share of the net pension liabilities/(assets) as follows:

Plan	Liability (Asset)
PERS 1	**$ 1,641,578**
PERS 2/3	**$ (2,779,580)**
TRS 1	**$ 630,742**
TRS 2/3	**$ (67,059)**

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	**0.058608%**	**0.058957%**	**0.000349%**
PERS 2/3	**0.073401%**	**0.074946%**	**0.001545%**
TRS 1	**0.032572%**	**0.033165%**	**0.000593%**
TRS 2/3	**0.032596%**	**0.034077%**	**0.001481%**

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 expenses as follows:

Pension Plan	Pension Expense
PERS 1	$ 761,666
PERS 2/3	(855,936)
TRS 1	367,659
TRS 2/3	(10,961)
Total	**$ 262,427**

Deferred Outflows of Resources and Deferred Inflows of Resources. The following represents 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 Outlows	**Deferred Inflows**
Difference between expected and actual experience		
Difference between expected and actual earnings of pension plan investments		**$ (272,058)**
Changes of assumptions		
Changes in College's proportionate share of pension liabilities		
Contributions subsequent to the measurement date	**$ 411,902**	
Totals	**$ 411,902**	**$ (272,058)**

	PERS 2/3	
	Deferred Outlows	**Deferred Inflows**
Difference between expected and actual experience	**$ 688,716**	**(62,923)**
Difference between expected and actual earnings of pension plan investments		**(2,054,966)**
Changes of assumptions	**$ 1,549,234**	**(405,645)**
Changes in College's proportionate share of pension liabilities	**$ 183,746**	(17,200)
Contributions subsequent to the measurement date	**$ 678,269**	
Totals	**$ 3,099,965**	**$ (2,540,734)**

	TRS 1	
	Deferred Outlows	Deferred Inflows
Difference between expected and actual experience		$ (113,021)
Difference between expected and actual earnings of pension plan investments		
Changes of assumptions		
Changes in College's proportionate share of pension liabilities		
Contributions subsequent to the measurement date	$ 247,282	
Totals	$ 247,282	$ (113,021)

	TRS 2/3	
	Deferred Outlows	Deferred Inflows
Difference between expected and actual experience	$ 334,127	$ (6,739)
Difference between expected and actual earnings of pension plan investments		$ (354,678)
Changes of assumptions	$ 377,782	$ (41,087)
Changes in College's proportionate share of contributions	$ 46,069	$ (5,362)
Contributions subsequent to the measurement date	$ 309,043	
Totals	$ 1,067,021	$ (407,866)

The $1,646,497 reported as deferred outflows of resources represent contributions the College made after the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2024.

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

Year ended June 30:	PERS 1		PERS 2/3		TRS 1		TRS 2/3
2024	(115,129)		(571,548)		(47,919)		(62,509)
2025	(104,567)		(509,217)		(43,567)		(47,563)
2026	(131,176)		(651,105)		(54,794)		(78,945)
2027	78,815		956,038		33,259		204,079
2028	-		334,285		-		86,048
Thereafter	-		322,434		-		249,001
Total Net Deferred (Inflows)/Outflows	(272,058)	-	(119,112)	-	(113,021)	-	350,111

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

State Board Retirement Plan (SBRP) – Supplemental Defined Benefits Plans

Plan Description. The State Board Retirement Plan is a privately administered single-employer defined contribution plan with a supplemental defined benefit plan component that guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. The College participates in this plan as authorized by chapter 28B.10 RCW and reports its proportionate share of the net pension liability. House Bill 1661, effective fiscal year 2021, created separate Supplemental Retirement Plan (SRP) funds by institution that met the definition of a trust or equivalent arrangement. As a result, this is the first year these plans will be reported under GASB Statement No. 67/68. Before 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 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 *2021Economic experience study* for the Washington State retirement plans and based on the results of the GASB 67/68 required crossover test, or 7% 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 $1,094,041.

Pension Expense. The Pension Expense is the summation of several 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 $(82,454).

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

Number of Participating Members				
Plan	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
State Board for Community and Technical Colleges (SBCTC) - SBRP	7	9	88	104

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	
Total Pension Liability	**Amount**
Service Cost	**38,589**
Interest	**139,327**
Differences Between Expected and Actual Experience	**(111,979)**
Changes in Assumptions	**(221,749)**
Benefit Payments	**(58,481)**
Change in Proportionate Share of NPL	**(70,614)**
Net Change in Total Pension Liability	**(284,907)**
Total Pension Liability - Beginning	**2,085,199**
Total Pension Liability - Ending	**1,800,293**

Plan Fiduciary Net Position	
	Amount
Contributions - Employer	**16,762**
Net Investment Income	**45,894**
Other	**(3)**
Net Change in Plan Fiduciary Net Position	**62,656**
Fiduciary Net Position-Beginning	**678,368**
Fiducairy Net Position-Ending (b)	**741,024**
Net Pension Liability (Asset) -- Ending (a)-(b)	**1,059,269**
Covered Payroll	
Net Pension Liability (Asset) as a percentagen of coveredpayroll	

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following table presents the net pension liability/(asset), calculated using the discount rate of 7%, 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%) or 1 percentage point higher (8%) than the current rate:

1% Decrease	**Current Discount Rate**	**1% Increase**
(6.00%)	**(7.00%)**	**(8.00%)**
$ 1,255,245	**$ 1,059,272**	**$ 891,146**

Deferred Outflows and Inflows of Resources Related to Pensions.
On 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	Deferred Inflows
Difference between expected and actual experience	**$ 415,576**	**$ 517,221**
Changes of Assumptions	**355,345**	**814,981**
Changes in College's proportionate share of pension liability	**77,355**	**184,632**
Difference between Projected and Actual Earnings on Plan Investments	**27,584**	**50,369**
Transactions subsequent to the measurement date	**-**	**-**
	$ 875,860	**$ 1,567,203**

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	(182,651)
2025	(134,597)
2026	(114,435)
2027	(216,076)
2028	(10,665)
Thereafter	(32,913)
Total	**(691,336)**

Note 15- 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 by 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 about 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 Membership As of June 30, 2023 (express in thousands)	
Active Employees*	**383**
Retirees Receiving Benefits**	**124**
Retirees Not Receiving Benefits***	**4**
Total Active Employees and Retirees	**511**

*Reflects active employees eligible for PEBB program participation as of June 30, 2020.

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

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

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

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 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 for each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis.

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

Required Premium*

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

*Per 2022 PEBB Financial Projection Model 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

For information on the results of an actuarial valuation of the employer-provided subsidies associated with the PEBB plan, refer to:
https://leg.wa.gov/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 $12,688,502. 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 Percentag	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 healthcare 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 after the measurement date was 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 after 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, healthcare-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 2.16percent for the June 30, 2021 measurement date and 3.54 percent for the June 30, 2022 measurement date.
Additional details 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 by GASB Statement No. 75 for the College are represented in the following table:

South Puget Sound Community College		
Proportionate Share (%)		0.0298675068%
Service Cost	$	936,024
Interest Cost		434,303
Differences Between Expected and Actual Experience		(430,101)
Changes in Assumptions*		(7,261,919)
Changes of Benefit Terms		-
Benefit Payments		(319,084)
Changes in Proportionate Share		329,028
Other		-
Net Change in Total OPEB Liability		(6,311,749)
Total OPEB Liability - Beginning		19,000,251
Total OPEB Liability - Ending	$	12,688,502

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
$ 14,867,825	$ 12,688,502	$ 10,934,857

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 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 Rate Cost Trend Rate Sensitivity		
1% Decrease	Current Health rte cost Trend	1% Increase
$ 10,743,151	$ 12,688,502	$ 15,177,248

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 $15,120 OPEB expense consists of the following elements:

South Puget Sound Community College	
Proportionate Share (%)	**0.2986750680%**
Service Cost	$ 936,024
Interest Cost	434,303
Amortization of Differences Between Expected and Actual Experience	7,649
Amortization of Changes in Assumptions	(1,376,652)
Changes of Benefit Terms	-
Amortization of Changes in Proportionate Share	13,796
Administrative Expenses	-
Total OPEB Expense	**15,120**

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

South Puget Sound Community College		
Proportionate Share (%)		**0.2986750680%**
Deferred Inflows/Outflows of Resources	**Deferred Outflows**	**Deferred Inflows**
Difference between expected and actual experience	264,509	446,448
Changes in assumptions	1,039,964	9,198,730
Changes in benefit terms	-	-
Transactions subsequent to the measurement date	320,237	-
Change in proportion	929,640	1,139,134
Total Deferred (Inflows)/Outflows	**2,554,350**	**10,784,312**

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

Proprotionate Share (%)		**0.2986750680%**
2024	**$**	**(1,355,207)**
2025	**$**	**(1,355,207)**
2026	**$**	**(1,355,210)**
2027	**$**	**(1,036,002)**
2028	**$**	**(793,683)**
Thereafter	**$**	**(2,654,890)**

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

South Puget Sound Community College		
Proportionate Share (%) 2021		**0.2935909556%**
Proportionate Share (%) 2022		**0.2986750680%**
Total OPEB Liability - Ending 2021	$	19,000,251
Total OPEB Liability - Beginning 2022 (chg in prop)		19,329,279
Total OPEB Liability Change in Proportion		329,028
Total Deferred (Inflows)/Outflows - 2021		(1,669,690)
Total Deferred (Inflows)/Outflows - 2022 (chg in prop)		(1,698,604)
Total Deferred (Inflows)/Outflows Change in Proportio		(28,914)
Total Change in Proportion	**$**	**357,942**

Note 16 - 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 Classifications	
Instruction	**41,812,872**
Academic Support Services	**2,987,977**
Student Services	**7,733,457**
Institutional Support	**11,993,476**
Operation and Maintenance of Plant	**7,545,381**
Scholarships and Fellowships	**7,120,127**
Depreciation	**4,796,063**
	83,989,353

Note 17 - Commitments and Contingencies

The College has commitments of $3,565,521 for various capital improvement projects that include the construction and completion of new buildings and renovations of existing buildings. The College is engaged in various legal actions in the ordinary course of business. Management does not believe the outcome of these actions will have a material adverse effect on the financial statement.

Note 18 - Subsequent Events

As noted within the FY 2022 audited financial statements under Note 18 – Subsequent Events - In September 2022, the College experienced a water line break and subsequent flooding in Bldg. 20. Emergency relief funds were received from the State Board of Community and Technical Colleges (SBCTC). The $500K in emergency relief funds are included within Note 17 – commitment for capital projects.

It is anticipated that any subsequent claims regarding this event will be resolved in FY2024. The College does not anticipate a significant impact to the financials as any claims would be covered through our Securities & Insurance Licensing Association (SILA) through the State of Washington.

Required Supplementary Information

Retirement Plan Information

Cost Sharing Employer Plans

Schedules of South Puget Sound Community College's Proportionate Share of the Net Pension LiabilitySchedule of South Puget Sound Commmunity College's Share of the Net Pension Liability Public Employee Retirement Sytem (PERS) Plan1
Measurment date of June 30

Fiscal Year	College's proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as ai percenntae of its covered payroll	Plan's fiduciary net position as a percentage of the total pension libility
2014	0.052957%	2,667,734	5,472,399	48.75%	61.19%
2015	0.051549%	2,696,492	5,582,041	48.31%	59.10%
2016	0.051867%	2,785,502	5,836,223	47.73%	57.03%
2017	0.052032%	2,468,959	6,239,824	39.57%	61.04%
2018	0.054662%	2,441,224	6,961,008	35.07%	63.22%
2019	0.055118%	2,119,483	7,562,238	28.03%	67.12%
2020	0.056107%	1,980,880	8,404,284	23.57%	68.64%
2021	0.058608%	715,741	8,891,497	8.05%	88.74%
2022	0.058957%	1,641,579	9,498,114	17.28%	76.56%
2023					

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

Schedule of South Puget Sound Commmunity College's Share of the Net Pension Liability
Public Employee Retirement Sytem (PERS) Plan2/3
Measurment date of June 30

Fiscal Year	College's proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as ai percenntae of its covered payroll	Plan's fiduciary nete position as a percentage of the total pension libility
2014	0.060480%	$ 1,222,519	$ 5,176,602	23.62%	93.29%
2015	0.059970%	$ 2,142,762	$ 5,321,288	40.27%	89.20%
2016	0.059459%	$ 2,993,714	$ 5,552,743	53.91%	85.85%
2017	0.061133%	$ 2,124,080	$ 5,993,461	35.44%	90.97%
2018	0.065068%	$ 1,110,978	$ 6,746,685	16.47%	95.78%
2019	0.068502%	$ 665,387	$ 7,445,632	8.94%	97.77%
2020	0.071102%	$ 909,357	$ 8,318,753	10.93%	97.22%
2021	0.073401%	$ (7,311,917)	$ 8,805,549	-83.04%	120.29%
2022	0.074946%	$ (2,779,583)	$ 9,409,964	-29.54%	106.73%
2023					

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

Required Supplementary Information

Retirement Plan Information

Cost Sharing Employer Plans

Schedules of South Puget Sound Community College's Proportionate Share of the Net Pension LiabilitySchedule of South Puget Sound Commmunity College's Share of the Net Pension Liability Teachers Retirement System (TRS) Plan 1 Measurment date of June 30					
Fiscal Year	College's proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as ai percenntae of its covered payroll	Plan's fiduciary nete position as a percentage of the total pension libility
2014	0.023066%	$ 600,686	$ 756,975	79.35%	68.77%
2015	0.026672%	$ 718,281	$ 1,056,980	67.96%	65.70%
2016	0.026497%	$ 802,243	$ 1,141,641	70.27%	62.07%
2017	0.024144%	$ 729,938	$ 1,337,496	54.57%	65.58%
2018	0.026816%	$ 783,186	$ 1,565,078	50.04%	66.52%
2019	0.027168%	$ 672,626	$ 1,826,991	36.82%	70.37%
2020	0.028547%	$ 687,636	$ 2,101,802	32.72%	70.55%
2021	0.032572%	$ 219,307	$ 2,419,562	9.06%	91.42%
2022	0.033165%	$ 630,742	$ 2,742,218	23.00%	78.24%
2023					

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

Schedule of South Puget Sound Commmunity College's Share of the Net Pension Liability Teachers Retirement System (TRS) Plan 2/3 Measurment date of June 30					
Fiscal Year	College's proportion of the net pension liability	College's proportionate share of the net pension liability	College's 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 libility
2014	0.014518%	$ 46,892	$ 617,329	7.60%	96.88%
2015	0.021518%	$ 181,569	$ 1,005,320	18.06%	92.48%
2016	0.022781%	$ 312,851	$ 1,117,467	28.00%	88.72%
2017	0.024073%	$ 222,180	$ 1,320,014	16.83%	93.14%
2018	0.027304%	$ 122,899	$ 1,565,078	7.85%	96.88%
2019	0.027369%	$ 164,908	$ 1,826,991	9.03%	96.36%
2020	0.029085%	$ 446,740	$ 2,101,802	21.26%	91.72%
2021	0.032596%	$ (896,001)	$ 2,419,562	-37.03%	113.72%
2022	0.034077%	$ (67,059)	$ 2,742,218	-2.45%	100.86%
2023					

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

Required Supplementary Information

Retirement Plan Information

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	College's covered payroll	Contributions as a percentage of covered– employee payroll
2014	$ 234,405	$ 234,405	$ -	$ 5,472,399	4.28%
2015	$ 236,918	$ 236,918	$ -	$ 5,582,041	4.24%
2016	$ 294,140	$ 294,140	$ -	$ 5,836,223	5.04%
2017	$ 312,988	$ 312,988	$ -	$ 6,239,824	5.02%
2018	$ 365,370	$ 365,370	$ -	$ 6,961,008	5.25%
2019	$ 395,219	$ 395,219	$ -	$ 7,562,238	5.23%
2020	$ 406,818	$ 406,818	$ -	$ 8,404,284	4.84%
2021	$ 438,241	$ 438,241	$ -	$ 8,891,497	4.93%
2022	$ 358,003	$ 358,003	$ -	$ 9,498,114	3.77%
2023	$ 411,902	$ 411,902	$ -	$ 10,710,324	3.85%

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

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)	College's covered payroll	Contributions as a percentage of covered– employee payroll
2014	$ 255,493	$ 255,493	$ -	$ 5,176,602	4.94%
2015	$ 267,140	$ 267,140	$ -	$ 5,321,288	5.02%
2016	$ 343,250	$ 343,250	$ -	$ 5,552,743	6.18%
2017	$ 373,392	$ 373,392	$ -	$ 5,993,461	6.23%
2018	$ 502,073	$ 502,073	$ -	$ 6,746,685	7.44%
2019	$ 559,477	$ 559,477	$ -	$ 7,445,632	7.51%
2020	$ 658,846	$ 658,846	$ -	$ 8,318,753	7.92%
2021	$ 697,371	$ 697,371	$ -	$ 8,805,549	7.92%
2022	$ 598,486	$ 598,486	$ -	$ 9,409,964	6.36%
2023	$ 678,269	$ 678,269	$ -	$ 10,664,582	6.36%

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

Required Supplementary Information

Retirement Plan Information

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	College's covered payroll	Contributions as a percentage of covered– employee payroll
2014	$ 40,274	$ 40,274	$ -	$ 756,975	5.32%
2015	$ 50,734	$ 50,734	$ -	$ 1,056,980	4.80%
2016	$ 71,410	$ 71,410	$ -	$ 1,141,641	6.26%
2017	$ 84,490	$ 84,490	$ -	$ 1,337,496	6.32%
2018	$ 111,527	$ 111,527	$ -	$ 1,565,078	7.13%
2019	$ 134,922	$ 134,922	$ -	$ 1,826,991	7.38%
2020	$ 151,269	$ 151,269	$ -	$ 2,101,802	7.20%
2021	$ 178,938	$ 178,938	$ -	$ 2,419,562	7.40%
2022	$ 171,985	$ 171,985	$ -	$ 2,742,218	6.27%
2023	$ 247,282	$ 247,282	$ -	$ 3,839,039	6.44%

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

Schedule of Contributions Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	College's covered payroll	Contributions as a percentage of covered– employee payroll
2014	$ 35,621	$ 35,621	$ -	$ 617,329	5.77%
2015	$ 57,184	$ 57,184	$ -	$ 1,005,320	5.69%
2016	$ 74,359	$ 74,359	$ -	$ 1,117,467	6.65%
2017	$ 88,699	$ 88,699	$ -	$ 1,320,014	6.72%
2018	$ 121,388	$ 121,388	$ -	$ 1,565,078	7.76%
2019	$ 143,054	$ 143,054	$ -	$ 1,826,991	7.83%
2020	$ 170,773	$ 170,773	$ -	$ 2,101,802	8.13%
2021	$ 197,195	$ 197,195	$ -	$ 2,419,562	8.15%
2022	$ 220,933	$ 220,933	$ -	$ 2,742,218	8.06%
2023	$ 309,043	$ 309,043	$ -	$ 3,839,039	8.05%

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

Required Supplementary Information
Retirement Plan Information

State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Net Pension Liability and Related Ratios
South Puget Sound Community College
Fiscal Year Ended June 30,2023
(expressed in thousands)

		2017	2018	2019	2020	2021	2022	2023
Total Pension Liability								
	Service cost	$ 114	$ 80	$ 58	$ 74	$ 100	$ 31	$ 38
	Interest	74	74	70	83	72	104	139
	Changes of benefit terms	-	-	-	-	-	-	
	Differences between expected and actual experience	(535)	(218)	133	175	(646)	459	(112)
	Changes of assumptions	(126)	(74)	249	469	(1,167)	149	(222)
	Benefit payments	(19)	(27)	(37)	(38)	(43)	(62)	(58)
	Change in proprtionate share of TPL/NPL	-	(16)	(51)	73	78	(40)	(71)
Net Change in Total Pension Liability (Asset)		(492)	(181)	422	836	(1,606)	641	(286)
Total Pension Liability - Beginning		2,500	2,008	1,827	2,250	3,086	1,480	2,085
Total Pension Liability - Ending (a)		$ 2,008	$ 1,827	$ 2,249	$ 3,086	$ 1,480	$ 2,121	$ 1,799
Plan Fiduciary Net Position **								
	Contributions - Employer	N/A	N/A	N/A	N/A	$ 14	$ 17	$ 168
	Contributions - Member	N/A	N/A	N/A	N/A	-	-	
	Net investment income	N/A	N/A	N/A	N/A	177	1	46
	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	-		
Net Change in Plan Fiduciary Net Position						$ 191	$ 18	$ 214
Plan Fiduciary Net Position - Beginning						505	696	
Plan Fiduciary Net Position - Ending (b)						$ 696	$ 714	$ 214
Plan's Net Pension Liability (Asset) - Ending (a)-(b)						$ 784	$ 1,407	$ 1,585
Fiduciary Net Postion as a % of Total Pension Liability (b)/(a)						47.03%	33.66%	11.90%
Covered Payroll						$ 13,758	$ 13,368	$ 12,684
Net Pension Liability as a % of Covered Payroll						10.76%	15.87%	14.18%

Note: These schedules will be build prospectivelly unitil they contain 10 yesrs of data
N/A indicates data not available

Required Supplementary Information
Retirement Plan Information

State Board Supplemental Defined Benefit Plans

Schedule of Employer Contributions State Board Supplemental Retirement Plan South Puget Sound Community College Fiscal Year Ended June 30, 2022										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Statutorily determined contribution	$ 17,886	$ 17,379	$ 17,379							
Actual contributions in relation to the above	15,667	15,707	16,279							
Contribution deficicency (excess)	$ (2,219)	$ (1,672)	$ 1,100							
Covered payroll	$ 13,758,340	13,368,410	12,684,177							
Contribution as a % of covered payroll	0.11%	0.12%	0.13%							

Notes to Required Supplementary Information

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

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

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

Required Supplementary Information
Other Post-Employment Benefits
Schedule of Changes in the Total OPEB Liability and Related Ratios

Schedule of Changes in the Total OPEB Liability and Related Ratios South Puget Sound Community College Fiscal Year Ended June 30 *expressed in thousands*						
Total OPEB Liability	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Service cost	$ 1,159	$ 999	$ 739	$ 779	$ 949	$ 936
Interest cost	543	686	641	652	410	434
Difference between expected and actual experience	-	627	-	(100)	-	(430)
Changes in assumptions	(2,648)	(4,371)	1,193	422	175	(7,261)
Changes in beneft terms	-	-	-	-	-	
Benefit payments	(277)	(290)	(293)	(310)	(312)	(319)
Changes in proportionate share	(180)	1,226	(3)	(249)	(999)	329
Other	-	-	-	(664)	-	-
Net Change in Total OPEB Liability	**(1,403)**	**(1,123)**	**2,277**	**530**	**223**	**(6,311)**
Total OPEB Liability - Beginning	**18,496**	**17,093**	**15,970**	**18,247**	**18,777**	**19,000**
Total OPEB Liability - Ending	**$ 17,093**	**$ 15,970**	**$ 18,247**	**$ 18,777**	**$ 19,000**	**$ 12,689**
College's Proportion of the OPEB Liability	**0.29%**	**0.31%**	**0.31%**	**0.31%**	**0.29%**	**0.30%**
College's Covered payroll	**$ 19,841**	**$ 21,240**	**$ 22,678**	**$ 24,046**	**$ 25,126**	**$ 26,848**
Total OPEB Liability as a percentage of covered-employee payroll	**86.15%**	**75.19%**	**80.46%**	**78.09%**	**75.62%**	**47.26%**

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, healthcare trend rates, salary projections, and participation percentages.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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