



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

# **Financial Statements Audit Report**

## **Walla Walla Community College**

**For the period July 1, 2018 through June 30, 2019**

**Published March 23, 2020**

**Report No. 1025822**





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

March 23, 2020

Board of Trustees  
Walla Walla Community College  
Walla Walla, Washington

**Report on Financial Statements**

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

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

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy  
State Auditor  
Olympia, WA

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**INDEPENDENT AUDITOR'S 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***

**Walla Walla Community College  
July 1, 2018 through June 30, 2019**

Board of Trustees  
Walla Walla Community College  
Walla Walla, 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 Walla Walla Community College, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 17, 2020.

Our report includes a reference to other auditors who audited the financial statements of the Walla Walla Community College Foundation (the Foundation), as described in our report on the College's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Foundation were not audited in accordance with *Governmental Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

The financial statements of the Walla Walla 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, 2019, 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.

## 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) to determine the 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## 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 the College's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*. However, we noted certain matters that we have reported to the management of the College in a separate special investigation report dated December 23, 2019.

## 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy  
State Auditor  
Olympia, WA

March 17, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## Walla Walla Community College July 1, 2018 through June 30, 2019

Board of Trustees  
Walla Walla Community College  
Walla Walla, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Walla Walla Community College, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed on page 10.

### Management's Responsibility 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; this includes 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Walla Walla Community College Foundation (the Foundation), which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

We conducted our audit 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. Those standards

require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Governmental Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Walla Walla Community College, as of June 30, 2019, 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.

## **Matters of Emphasis**

As discussed in Note 1, the financial statements of the Walla Walla 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, 2019, 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.



## Other Matters

### *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 on page 10 be presented to supplement the basic financial statements. Such information, 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 March 17, 2020 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 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

March 17, 2020

## **FINANCIAL SECTION**

### **Walla Walla Community College July 1, 2018 through June 30, 2019**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2019

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2019

Statement of Revenues, Expenses and Changes in Net Position – 2019

Statement of Cash Flows – 2019

Walla Walla Community College Foundation Statement of Financial Position – 2019

Walla Walla Community College Foundation Statement of Activities and Changes in Net Assets – 2019

Notes to Financial Statements – 2019

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Walla Walla Community College's Share of the Net Pension Liability – PERS 1, PERS 2/3, TRS 1, TRS 2/3 – 2019

Schedule of Contributions – PERS 1, PERS 2/3, TRS 1, TRS 2/3 – 2019

Schedule of Changes in Total Pension Liability and Related Ratios – State Board Supplemental Defined Benefit Plans – 2019

Schedule of Changes in Total OPEB Liability and Related Ratios – 2019

## Management Discussion and Analysis

### Walla Walla Community College

The following discussion and analysis provides an overview of the financial position and activities of Walla Walla Community College (the College) for the fiscal year ended June 30, 2019 (FY 2019). This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Walla Walla Community College is one of thirty four 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 8,350 students. The College confers applied baccalaureate degrees, associates degrees, certificates and high school diplomas. The College was established in 1967 and its primary purpose is to inspire students to discover their potential and achieve their goals by providing relevant, equitable, and innovative learning opportunities and services.

The College's main campus is located in Walla Walla, Washington, a community of about 33,000 residents. The College also has a campus in Clarkston, Washington. The College provides contracted educational services for the Department of Corrections at the Washington State Penitentiary in Walla Walla and at the Coyote Ridge Corrections Center in Connell. The College is governed by a five-member Board of Trustees appointed by the governor of the state with the consent of the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

#### *Using the Financial Statements*

The financial statements presented in this report encompass the College and its discretely presented component unit – Walla Walla Community College Foundation. The College's financial statements include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2019. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash Flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the College's financial health.

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

<b>Condensed Statement of Net Position</b>			
	<b>As of June 30, 2019</b>	<b>As of June 30, 2018</b>	<b>Change</b>
<b>Assets</b>			
Current Assets	\$ 15,730,915	\$ 15,562,747	\$ 168,168
Capital Assets, net	50,938,016	52,587,754	(1,649,738)
Other Assets, non-current	681,762	802,624	(120,862)
<b>Total Assets</b>	<b>\$ 67,350,693</b>	<b>\$ 68,953,126</b>	<b>\$ (1,602,433)</b>
<b>Deferred Outflows of Resources</b>			
	<b>\$ 2,276,632</b>	<b>\$ 1,331,591</b>	<b>\$ 945,041</b>
<b>Liabilities</b>			
Current Liabilities	\$ 4,619,487	\$ 5,305,991	\$ (686,504)
Other Liabilities, non-current	26,104,667	28,690,062	(2,585,395)
<b>Total Liabilities</b>	<b>\$ 30,724,154</b>	<b>\$ 33,996,053</b>	<b>\$ (3,271,899)</b>
<b>Deferred Inflows of Resources</b>			
	<b>\$ 9,620,628</b>	<b>\$ 4,929,273</b>	<b>\$ 4,691,355</b>
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 48,508,016	\$ 49,942,754	\$ (1,434,738)
Restricted	1,448,555	1,390,004	58,551
Unrestricted	(20,674,028)	(19,973,367)	(700,661)
<b>Total Net Position</b>	<b>\$ 29,282,543</b>	<b>\$ 31,359,391</b>	<b>\$ (2,076,848)</b>

Current assets consist primarily of cash, accounts receivable, inventories, and the short-term portion of student loans receivable, net of allowances. Cash and cash equivalents increased by just over \$2.7 million to equal \$9.27 million, which includes restricted cash of \$610,196 held for student loans, student financial aid, and contractor retainage. Overall, current receivables decreased by just under \$2.5 million. Receivables from the federal government decreased by just over 2.2 million, which consisted primarily of \$500,000 received from the Economic Development Association Grant for construction of the Clarkston Workforce building and \$1.8 million received on various grants to the Snake River Salmon Recovery Board. Amounts owed to the College from other state agencies decreased by \$625,000 and varies based on timing of transactions at each year-end. The State Treasurer's Office, through the Vendor Payment Advance (VPA) system, owed the College \$421,000 more than the amount that was owed the previous year. Various other decreases and increases round out the change in current receivables. Inventory values decreased by almost \$68,000 and prepaid expenses increased by \$10,000 bringing the net decrease in total current assets to just over \$168,000.

Net capital assets decreased by just over \$1.6 million from FY 2018 to FY 2019. This decrease was primarily due to recording annual depreciation expenses of \$2.68 million with an offset of \$1.04 million reflecting purchases of equipment and other capitalized additions, net of any disposals.

Other non-current assets reflect the long-term portion of student loans receivable, net of allowances. The College continues to service its student loan portfolio held as part of the Perkins Federal loan program. The loans receivable balance decreased slightly due to students paying down loan balances and taking advantage of the service cancellations available through the program.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and postemployment benefits associated with the implementation of GASB Statement No. 68 in

FY 2015, Statement No. 73 in FY 2017, and Statement No. 75 in FY 2018. The increase in deferred outflows reflect the College's proportionate share of an decrease in the state-wide amounts reported by the Department of Retirement System (DRS) and Health Care Authority (HCA) due to differences between expected and actual experience related to the actuarial assumptions. The College recorded \$1.33 million in FY 2018 and \$2.27 in FY2019 of pension and postemployment-related deferred outflows.

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, unearned revenue, and the current portion of compensated absences. Current liabilities generally fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements.

Current liabilities decreased by \$686,000 from FY 2018 to FY 2019. The largest contributing factor to the decrease was the short-term portion of OPEB liability, which decreased by just under \$1.6 million. Other changes were the result of a number of normal fluctuations in balances owed at the time the books were closed for year-end. Normal fluctuations in accounts payable balances at year-end resulted in an increase of \$777,738. An increase in accrued liabilities of just over \$216,000 was comprised of an increase of \$95,000 in funds held in trust in our agency fund, as well as just over \$33,000 in accrued liability for the new Paid Family Medical Leave Act. Another factor in the increase was \$35,000 in accrued wages owed at the end of FY 2019 vs accrued wages owed for end of FY 2018. Other normal fluctuations in accrued liabilities were the amounts owed to other state agencies at year-end. Unearned revenue consisting of Summer and Fall tuition and fees decreased by just over \$61,000 with an offsetting small increase of \$12,000 in un-earned grant revenue. Other small changes in the balances consisted of a decrease of \$55,000 in the current portion of compensated absences liability, offset by a small increase of \$5,000 in the current portion of debt owed on long-term Certificates of Participation and a small increase of just under \$17,000 in the short-term portion of Pension liability. These changes comprise the changes to current liabilities.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees (compensated absences), pension liabilities, OPEB liability and the long-term portion of Certificates of Participation debt. The College's overall decrease of just under \$2.6 million in non-current liabilities is due primarily to a decrease in OPEB liability of \$1.6 million. Net pension liability for GASB 68 decreased by \$1.3 million and total pension liability for GASB 73 increased by \$540,000. Other changes to non-current liabilities include a reduction to the principal amount outstanding on Certificates of Participation, which declined by \$220,000 during FY 2018 due to normally scheduled annual debt service payments, and an increase to long-term compensated absences of \$85,700.

Deferred inflows of resources related to the College's proportionate share of net pension and OPEB liability increased by just under \$4.7 million. Increases in deferred inflows related to pensions increased by \$393,700. Changes to OPEB deferred inflows increased by just under \$4.3 million. Changes in the amount booked for deferred inflows can be due to the differences between actual and projected earnings on pension plan investments and it can also be due to changes like demographics or future economic assumptions affecting the state's pension plans.

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:**

**Non Expendable** – consists of funds in which a donor or external party has imposed the restriction that the corpus or principal is not available for expenditures but for investment purposes only. Historically, donors interested in establishing such funds to benefit the College or its students have chosen to do so through the Foundation. The College’s non expendable fund balance is related to the Perkins Loan Program which has been discontinued. The College continues to service the loans and funds collected must be held until released to the federal government.

**Expendable** – resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. Student loans make up the majority of the College’s expendable restricted funds, but there is also a small amount of student financial aid that falls under this classification. The changes in student loan balances were discussed in this section.

**Unrestricted** – Includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management. Prudent balances are maintained for use as working capital, as a reserve against emergencies and for other purposes, in accordance with policies established by the Board of Trustees. The College is reporting a deficit in unrestricted net position due to the implementation of GASB 75.

Condensed Net Position As of June 30th	FY 2019	FY 2018	Change
Net investment in capital assets	\$ 48,508,016	\$ 49,942,754	\$ (1,434,739)
Restricted			
Non expendable	964,101	-	964,101
Expendable for financial aid	484,454	389,122	95,332
Expendable for student loans	-	1,000,882	(1,000,882)
Unrestricted	(20,674,028)	(19,973,367)	(700,661)
<b>Total Net Position</b>	<b>\$ 29,282,543</b>	<b>\$ 31,359,391</b>	<b>\$ (2,076,848)</b>

**Statement of Revenues, Expenses and Changes in Net Position**

The Statement of Revenues, Expenses and Changes in Net Position accounts for the College’s changes in total net position during FY 2019. The objective of the statement is to present the revenues received, both operating and non-operating, and the expenses paid or incurred by the College, along with any other revenues, expenses, gains and losses of the College.

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

Operating expenses are expenses incurred in the normal operation of the College, including depreciation on property and equipment assets. When operating revenues, excluding state

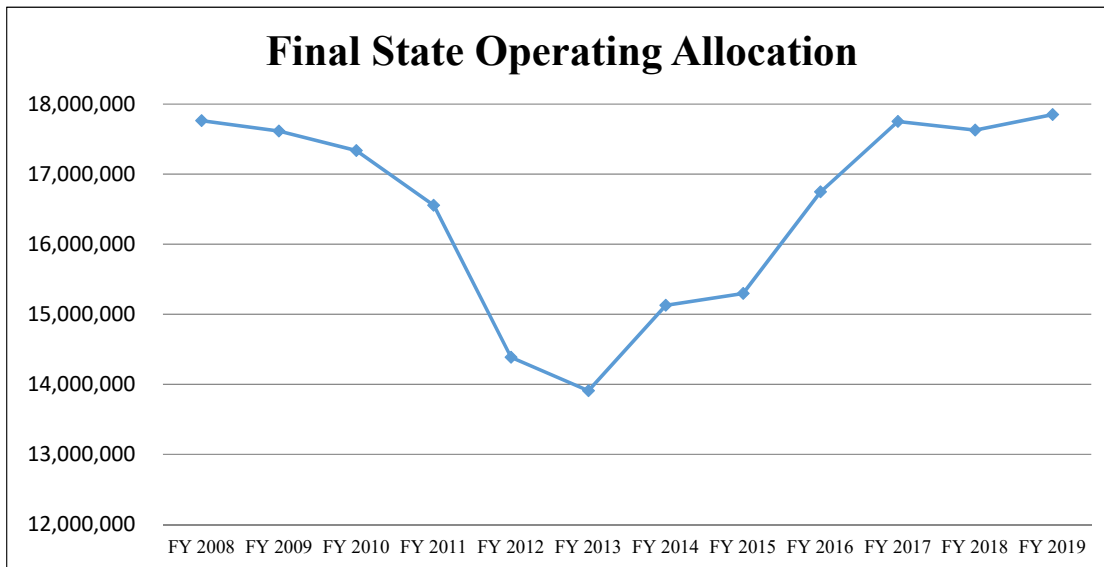
appropriations and Pell grants, are measured against operating expenses, the College shows an operating loss. The operating loss is reflective of the external funding necessary to keep tuition lower than the cost of the services provided.

A comparison of the Condensed Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2019 and 2018 is presented below.

<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Year Ended June 30, 2019 and 2018</b>			
<b>Operating Revenues</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>
Student tuition and fees, net	8,723,051	9,148,521	(425,470)
Auxiliary enterprise sales	1,724,984	2,029,241	(304,257)
Grants and Contracts	14,148,069	13,718,158	429,911
Other operating revenues	880,443	1,483,113	(602,670)
<b>Total operating revenues</b>	<b>25,476,547</b>	<b>26,379,033</b>	<b>(902,486)</b>
<b>Non-Operating Revenues</b>			
State appropriations	17,849,538	17,628,643	220,895
Federal Pell grant revenue	6,074,516	5,961,023	113,493
Other non-operating revenues	38,221	33,249	4,972
<b>Total non-operating revenues</b>	<b>23,962,275</b>	<b>23,622,915</b>	<b>339,360</b>
<b>Total Revenues</b>	<b>49,438,822</b>	<b>50,001,948</b>	<b>(563,126)</b>
<b>Operating Expenses</b>			
Salaries and Benefits	33,194,656	34,001,315	(806,659)
Scholarships	6,201,185	6,433,516	(232,331)
Depreciation	2,687,238	2,805,590	(118,352)
Other operating expenses	11,123,808	9,215,252	1,908,556
<b>Total operating expenses</b>	<b>53,206,887</b>	<b>52,455,673</b>	<b>751,214</b>
<b>Non-Operating Expenditures</b>			
Other non-operating expenses	1,477,227	1,575,009	(97,782)
<b>Total non-operating expenses</b>	<b>1,477,227</b>	<b>1,575,009</b>	<b>(97,782)</b>
<b>Total Expenses</b>	<b>54,684,114</b>	<b>54,030,682</b>	<b>653,432</b>
<b>Excess(deficiency)before capital contributions</b>	<b>(5,245,292)</b>	<b>(4,028,734)</b>	<b>(1,216,558)</b>
<b>Capital appropriations and contributions</b>	<b>3,168,444</b>	<b>655,527</b>	<b>2,512,917</b>
<b>Change in Net position</b>	<b>(2,076,848)</b>	<b>(3,373,207)</b>	<b>1,296,359</b>
<b>Net Position</b>			
Net position, beginning of year	31,359,391	55,551,976	
Cumulative effect of change in accounting principle (GASB 75 - FY 2018)		(20,819,375)	
Net position, beginning of year, as restated	31,359,391	34,732,601	(3,373,210)
<b>Net position, end of year</b>	<b>29,282,543</b>	<b>31,359,393</b>	<b>(2,076,850)</b>

### **Revenues**

The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2018, the SBCTC allocated funds to each of the 34 college's based on 3 year average FTE actuals. Additionally, the Supplemental Budget also reduces the general fund by the amount set aside specifically for Pension Stabilization. This method of allocation has continued in FY2019.



The Legislature approved a 2.3% tuition increase for two-year colleges in FY 2019. State-funded enrollment declined 2% during FY 2018 and another 8% during FY 2019. Operating tuition and fee revenues decreased \$425,000 during the fiscal year. Pell grant revenues received by the College increased by \$113,500 or 2%.

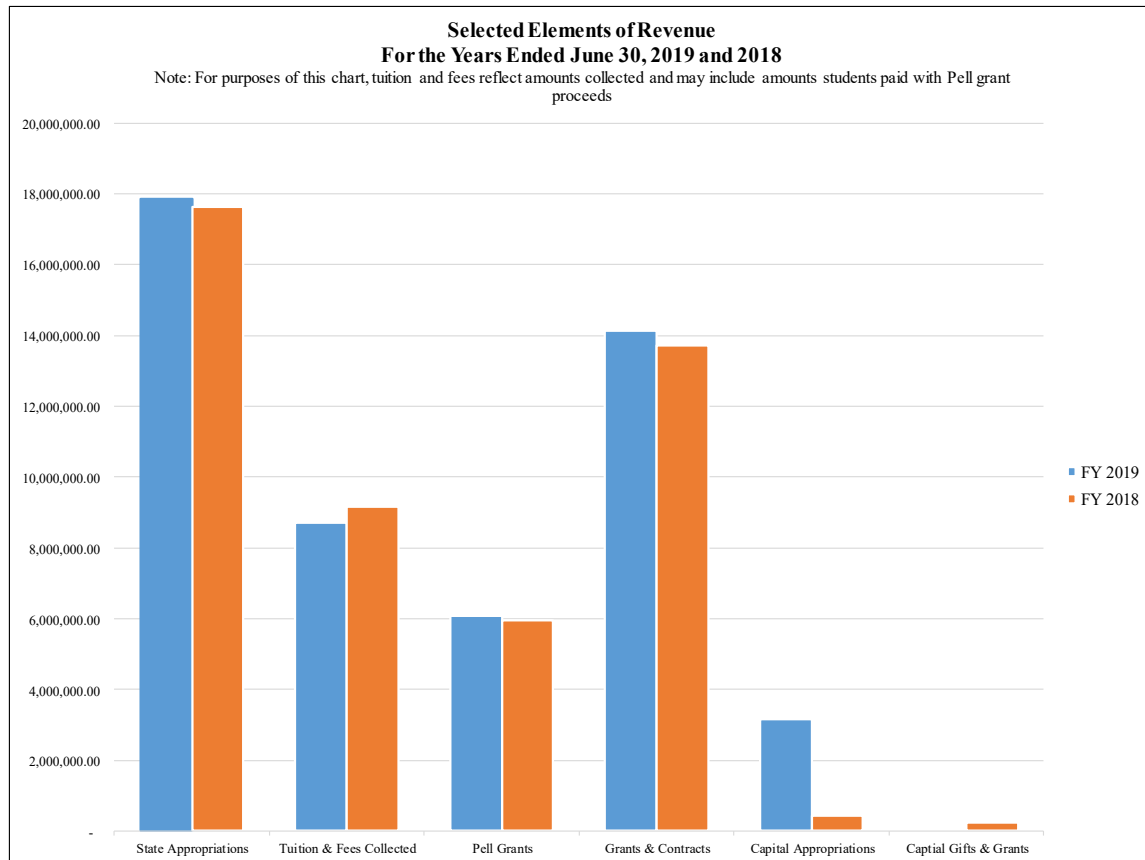
In FY 2019, grant and contract revenues increased by approximately \$430,000, or 3.1%, when compared with FY 2018. Basic Food, Employment and Training program (BFET) reimbursements through the USDA increased just under \$362,000. The College contracts with local high schools to enroll students who earn either high school credits, college credits or both for courses taken as a part of these programs. Running Start revenue increased by \$279,000 and Alternative High School Education through Open Doors programming increased \$105,000. Revenues received for Snake River Salmon Recovery Board Grants increased by \$152,000 and fees retained by the College for administering the educational programs at Washington State Penitentiary and Coyote Ridge Corrections Center increased by \$141,000, and finally, revenues received under the National Science Foundation grant increased in FY 18/19 by \$90,000.

These increases were offset by decreases to several grant and contract programs. The largest contributing factor in the decreases was the completion of the TAACCCT grant creating a decrease of nearly \$191,000. Other decreases consisted of a decrease to State Need Grant of \$85,000 and a decrease in receipts from the WWCC foundation of \$129,000 in financial aid and administration support. A one-time grant of \$32,500 for a wine cluster study was received in FY 17/18 with no funding in FY 18/19. Perkins grant funding decreased by \$65,000 in FY 18/19. The conclusion of the Ag Center USDA grant created a reduction of \$68,000 and other miscellaneous small changes totaling \$129,000 in a number of other contracts and grants make up the remainder of the decreases.

The College receives capital spending authority on a biennial basis and is generally required to expend all funding during the biennium it is appropriated. In accordance with accounting standards, the amount shown as capital appropriation revenue on the financial statement is the amount expended in the current year. Capital appropriations fluctuate based on the number of projects that are funded so fluctuations in revenue are expected and appropriate. Compared to FY 2018, the College expended around \$2.7 million more in capital appropriations during FY 2019.



Capital gifts and grants decreased by just over \$224,000 primarily due to the completion of the Clarkston Workforce and Business Development Center in FY 2018.



### ***Expenses***

For FY 2019, salary expenditures increased by \$340,000 when compared to FY 2018. Total employee benefit costs decreased by almost \$1.15 million due primarily to reductions of recognition for GASB 68 and 73 retirement and pension expense of \$244,000 and reduction of GASB 75 Other post-employment benefit expense recognition of \$731,000. Compensated absence expense also decreased by just over \$144,000. Other normal small increases and decreases make up the remainder of the difference.

Expenditures for student financial aid decreased by just over \$232,000 or about 3.6%. This decrease in student aid expenditures is consistent with decreases in enrollments.

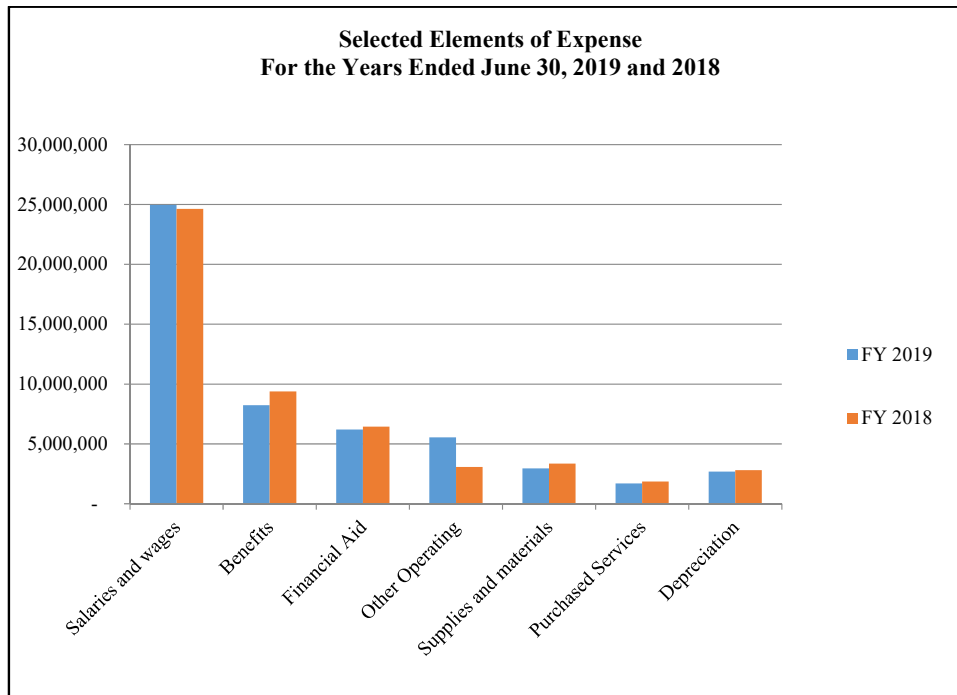
The combined expenses for supplies and materials and other operating expenses increased by just under \$2,061,000. Supplies and materials fluctuate from year to year, as is normal, and decreased \$191,000. Cost of goods sold is also included with supplies and materials and decreased \$213,000. Increases to other operating expenses were just over \$2.4 million which is consistent with the increase in capital allocation revenues. The State released the capital appropriations authority late in the 2017/18 fiscal year which delayed many scheduled projects, so most of the two year capital allocation was spent in the 2018/19 fiscal year. Capital appropriations from the state for repair work are often used to procure contractors or for other non-capitalized equipment purchases. Expenditures from capital project funds that do not meet accounting standards for capitalization are reported as operating expenses. Those expenditures that meet the capitalization standard are not shown as expense in the current period and are

instead recognized as depreciation expense over the expected useful lifetime of the asset. Other costs reported as operating expenses include items such as travel, employee training, non-capitalized equipment, software, printing and other supplies. Expenditures for purchased services decreased by \$155,000.

Utility costs increased minimally when compared with FY 2018. Depreciation expense is driven by capital activity and by equipment being fully depreciated, with the annual depreciation expense showing an increase in any year when new capital projects are completed and placed in service and decreases in years when capital activity is minimal and equipment has been fully depreciated. Fluctuations of this nature are to be expected.

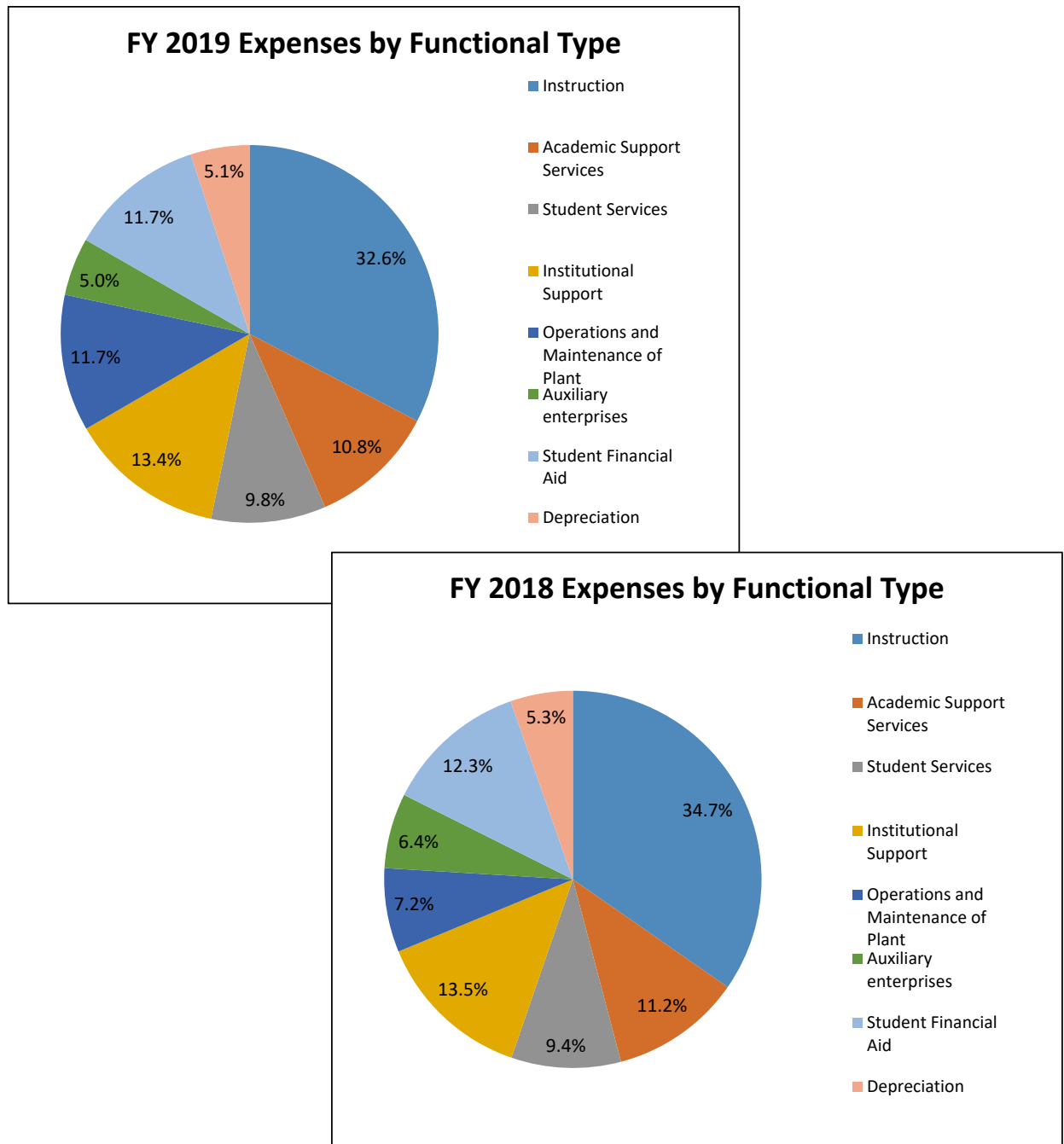
#### ***Comparison of Selected Elements of Operating Expenses***

The following chart shows the amount, in dollars, for selected elements of operating expenses for FY 2019 and FY 2018.



#### ***Operating Expenses by Function***

The following charts show the amount, by percentage, of operating expenses for each functional area for FY 2018 and FY 2019.



### Capital Assets and Long-Term Debt Activities

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

At June 30, 2019, the College had invested \$50,938,016 in capital assets, net of accumulated depreciation. This represents a decrease of \$1,649,739 from last year, as shown in the table below.

Asset Type	June 30, 2019	June 30, 2018	Change
Land	\$ 2,553,379	\$ 2,553,379	\$ -
Construction in Progress	581,895	-	581,895
Buildings, net	44,829,186	46,258,339	(1,429,153)
Other Improvements and Infrastructure, net	758,829	1,211,074	(452,245)
Equipment, net	2,119,110	2,460,531	(341,421)
Library Resources, net	95,616	104,432	(8,816)
<b>Total Capital Assets, Net</b>	<b>\$ 50,938,015</b>	<b>\$ 52,587,754</b>	<b>\$ (1,649,739)</b>

During FY 2019, design and architectural work was begun on two projects – the STEM building and the Walla Walla Student Rec Center resulting in an increase to Construction in Progress of \$581,895. Two pieces of donated equipment were accepted during the fiscal year with fair market value of \$11,768. These net increases were offset by current depreciation of \$2,687,238. Other changes to capital assets occur from the normal purchase and retirement of equipment and library resources. Additional information on capital assets can be found in Note 7 of the Notes to the Financial Statements.

At June 30, 2019, the College had \$2,430,000 in outstanding debt on five Certificates of Participation (COP).

Debt	June 30, 2019	June 30, 2018	Change
Certificates of Participation	\$ 2,430,000	\$ 2,645,000	\$ (215,000)
<b>Total</b>	<b>\$ 2,430,000</b>	<b>\$ 2,645,000</b>	<b>\$ (215,000)</b>

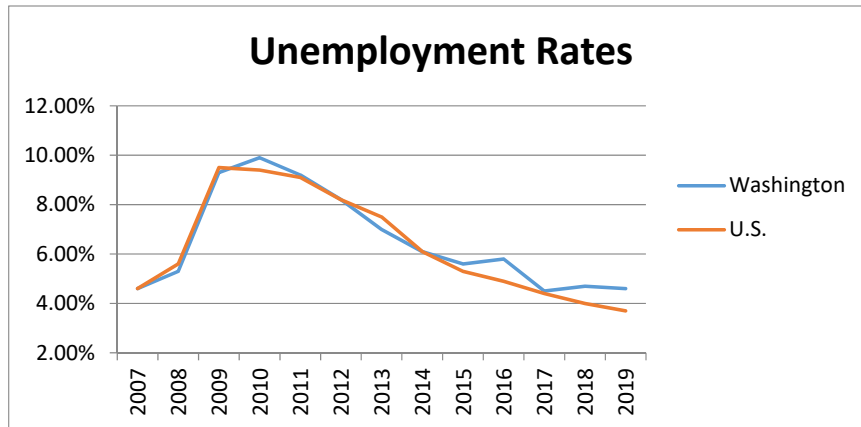
Additional information on long-term debt and debt service schedules can be found in Notes 13, 14 and 15 of the Notes to the Financial Statements.

### **Economic Factors That May Affect the Future**

Starting in FY 2017, the State Board for Community and Technical Colleges moved to a new allocation model that changed how all state allocated funds are distributed amongst the system's colleges. The old funding formula gave the College a much higher amount per full-time equivalent student (FTES) than this new model, resulting in an initial rebasing loss of almost \$700,000 over a four year period ending in FY 2020. The new model has several indicators built in that affect each College's allocation including a 5% share of the system's appropriation that is based on a few performance indicators like student completions and achievement points. Another key factor used in the new formula is the use of a three-year rolling average of actual enrollments dictating a College's targeted funding level for the upcoming year. Lastly, the new model weights certain FTES based on a high priority indicator so that some FTES are actually counted as 1.3 instead of 1. The full impact of this new funding model has not been as severe as originally expected, because all colleges are under-enrolled and not meeting set enrollment targets.

A hallmark of community colleges is the flexibility to respond quickly to the needs of our local communities. This demand and our desire to respond results in an enrollment pattern of high enrollments during economic downturns when jobs are scarce and unemployment is high. The opposite happens as well, in that community colleges often experience lower enrollment when the job market is strong and unemployment rates are low. While the Great Recession of 2008 had a lingering effect on the job market in Washington, a significant improvement occurred over the

last few years. Like all of the community colleges in the state, WWCC experienced enrollment declines as the state economy improved; repeating those historic enrollment patterns related to unemployment rates. Enrollment fluctuations are a significant concern for higher education finances in the current environment where state support has been reduced and tuition revenues make up a larger share of a College's overall funding.



## College Statement of Net Position

<b>Walla Walla Community College</b> <b>Statement of Net Position</b> <b>June 30, 2019</b>		
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$	8,661,181
Restricted cash		610,196
Accounts receivable, net of allowance		5,927,432
Student loans receivable, net of allowance		157,726
Inventories		330,725
Prepaid expenses		43,654
<b>Total current assets</b>	<b>\$</b>	<b>15,730,915</b>
<b>Non-Current Assets</b>		
Student loans receivable, net of allowances	\$	681,762
Non-depreciable capital assets		3,135,274
Capital assets, net of depreciation		47,802,741
<b>Total non-current assets</b>	<b>\$</b>	<b>51,619,777</b>
<b>Total assets</b>	<b>\$</b>	<b>67,350,692</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions	\$	1,424,257
Deferred outflows related to OPEB		852,375
<b>Total deferred outflows of resources</b>	<b>\$</b>	<b>2,276,632</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$	1,387,191
Accrued liabilities		1,386,337
Compensated absences, short term		205,811
Unearned revenue		1,064,501
Certificates of participation payable		220,000
Pension liability, short term		61,667
OPEB liability, short term		293,979
<b>Total current liabilities</b>	<b>\$</b>	<b>4,619,487</b>
<b>Non-Current Liabilities</b>		
Compensated absences	\$	2,247,357
Long-term liabilities		2,210,000
Net pension liability		2,990,079
Total pension liability		2,940,232
OPEB liability		15,716,999
<b>Total non-current liabilities</b>	<b>\$</b>	<b>26,104,667</b>
<b>Total liabilities</b>	<b>\$</b>	<b>30,724,153</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions	\$	2,236,867
Deferred inflows related to OPEB		7,383,761
<b>Total deferred inflows of resources</b>	<b>\$</b>	<b>9,620,628</b>
<b>Net Position</b>		
Net Investment in capital assets	\$	48,508,016
Restricted for:		-
Nonexpendable		964,101
Expendable for student aid		484,454
Unrestricted (deficit)		(20,674,028)
<b>Total Net Position</b>	<b>\$</b>	<b>29,282,543</b>
<i>The accompanying notes are an integral part of these financial statements</i>		

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

<b>Walla Walla Community College</b> <b>Statement of Revenues, Expenses and Changes in Net Position</b> <b>For the Year Ended June 30, 2019</b>		
<b>Operating Revenues</b>		
Student tuition and fees, net of discounts	\$	8,723,051
Auxiliary enterprise sales		1,724,984
State and local grants and contracts		13,213,854
Federal grants and contracts		934,215
Other operating revenues		863,582
Interest on loans to students		16,861
<b>Total operating revenue</b>	<b>\$</b>	<b>25,476,547</b>
<b>Operating Expenses</b>		
Salaries and wages		24,963,921
Benefits		8,230,735
Scholarships		6,201,185
Supplies and materials		2,953,960
Depreciation		2,687,238
Purchased services		1,697,568
Utilities		930,210
Other operating expenses	\$	5,542,070
<b>Total operating expenses</b>	<b>\$</b>	<b>53,206,887</b>
<b>Operating income (loss)</b>	<b>\$</b>	<b>(27,730,340)</b>
<b>Non-Operating Revenues (Expenses)</b>		
State appropriations	\$	17,849,538
Federal Pell grant revenue		6,074,516
Investment income, gains and losses		38,221
Building fee remittance		(1,115,720)
Innovation fund remittance		(234,310)
Interest on indebtedness		(127,197)
<b>Net non-operating revenue (expenses)</b>	<b>\$</b>	<b>22,485,047</b>
<b>Income or (loss) before capital contributions</b>	<b>\$</b>	<b>(5,245,293)</b>
<b>Capital Contributions</b>		
Capital appropriations	\$	3,156,676
Capital gifts and grants		11,768
<b>Increase (Decrease) in net position</b>	<b>\$</b>	<b>(2,076,849)</b>
<b>Net Position</b>		
Net position, beginning of year	\$	31,359,391
<b>Net position, end of year</b>	<b>\$</b>	<b>29,282,543</b>
<i>The accompanying notes are an integral part of these financial statements</i>		

## College Statement of Cash Flows

<b>Walla Walla Community College Statement of Cash Flows For the Year Ended June 30, 2019</b>		
<b>Cash flows from operating activities</b>		
Student tuition and fees, net of discounts	\$	8,663,543
Grants and contracts		17,022,675
Payments to vendors		(9,167,337)
Payments for utilities		(925,593)
Payments to employees		(24,914,131)
Payments for benefits		(8,498,318)
Auxiliary enterprise sales		1,701,179
Payments for scholarships		(6,201,185)
Loans issued to students		-
Collection of loans to students		146,449
Other receipts (payments)		915,235
<b>Net cash used by operating activities</b>	<b>\$</b>	<b>(21,257,483)</b>
<b>Cash flows from noncapital financing activities</b>		
State appropriations	\$	18,206,415
Federal Pell grant revenue		6,074,516
Building fee remittance		(1,120,835)
Innovation fund remittance		(235,252)
<b>Net cash provided by noncapital financing activities</b>	<b>\$</b>	<b>22,924,843</b>
<b>Cash flows from capital and related financing activities</b>		
Capital appropriations	\$	2,378,233
Capital gifts and grants		11,768
Purchases of capital assets		(1,037,500)
Principal paid on capital debt		(215,000)
Interest paid on indebtedness		(127,197)
<b>Net cash provided by capital and related financing activities</b>	<b>\$</b>	<b>1,010,304</b>
<b>Cash flows from investing activities</b>		
Income of investments	\$	38,221
<b>Net cash provided by investing activities</b>	<b>\$</b>	<b>38,221</b>
<b>Increase in cash and cash equivalents</b>	<b>\$</b>	<b>2,715,885</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>\$</b>	<b>6,555,492</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>\$</b>	<b>9,271,377</b>
<i>The accompany notes are an integral part of the financial statements</i>		



(Cash Flow Statement - cont.)

**Reconciliation of Operating Loss to Net Cash used by Operating Activities**

<b>Operating Loss</b>	<b>\$</b>	<b>(27,730,340)</b>
<b>Adjustments to reconcile net loss to net cash used by operating activities</b>		
Depreciation expense	\$	2,687,238
<b>Changes in assets and liabilities</b>		
Receivables, net of allowances	\$	2,902,653
Inventories		67,946
Other assets		(10,040)
Accounts payable		777,738
Accrued liabilities		222,499
Deferred revenue		(49,667)
Compensated absences		30,044
Pension & OPEB liability adjustment		(285,143)
Loans to students		129,588
<b>Net cash used by operating activities</b>	<b>\$</b>	<b>(21,257,483)</b>
<b>Significant Noncash Transactions</b>		
Capital assets acquired through gifts	\$	11,768

*The accompanying notes are an integral part of these financial statements*

## Foundation Statement of Financial Position

<b>Walla Walla Community College Foundation and Subsidiary</b> <b>Consolidated Statements of Financial Position</b> <b>December 31, 2018</b>		
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$	965,238
Investments		5,061,574
Pledge receivable, current		15,611
Inventory		179,094
Assets held for resale		56,099
Prepaid expenses and other assets		2,994
Accounts Receivable		12,309
<b>Total current assets</b>	\$	<b>6,292,919</b>
<b>Property and equipment, net of accumulated depreciation</b>		<b>1,428,240</b>
<b>Other assets</b>		
Pledge receivable, noncurrent	\$	45,878
<b>Total assets</b>	\$	<b>7,767,037</b>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$	239,350
Accrued expenses		8,362
<b>Total liabilities</b>	\$	<b>247,712</b>
<b>Net assets</b>		
Unrestricted net assets	\$	3,216,026
Temporarily restricted net assets		4,303,299
<b>Total net assets</b>	\$	<b>7,519,325</b>
<b>Total liabilities and net assets</b>	\$	<b>7,767,037</b>
The accompanying notes are an integral part of these financial statements		

## Foundation Statement of Activities and Changes in Net Position

**Walla Walla Community College Foundation and Subsidiary**  
**Consolidated Statement of Activities and Changes in Net Assets**  
**Year ended Dec. 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Totals
<b>Revenue</b>			
Contributions and grants	\$ 425,042	\$ 575,791	\$ 1,000,833
Net investment loss	(184,097)	(402,935)	(587,032)
Lease income	170,727	-	170,727
Interest and dividends	476	-	476
Donated service and materials	129,682	-	129,682
Warrior club	30,198	-	30,198
Realized gain on investments	-	-	-
Gain on sale of asset	41,530	-	41,530
Loss on Sale of Student Projects	(36,802)	-	(36,802)
Other income	5,061	-	5,061
Program revenue	5,296	-	5,296
<b>Wine Operations</b>			
Retail Sales	399,341	-	399,341
<b>Net assets released from restrictions</b>	<u>749,268</u>	<u>(749,268)</u>	<u>-</u>
<b>Total public support, revenue and reclassifications</b>	<u>\$ 1,735,722</u>	<u>\$ (576,412)</u>	<u>\$ 1,159,310</u>
<b>Expenses</b>			
Program Expenses	\$ 1,733,369	\$ -	\$ 1,733,369
Management and General	252,107	-	\$ 252,107
Fundraising	127,505	-	\$ 127,505
Total Expenses	<u>\$ 2,112,981</u>	<u>\$ -</u>	<u>\$ 2,112,981</u>
<b>Change in net assets</b>	\$ (377,259)	\$ (576,412)	\$ (953,671)
Net assets - beginning of year	3,593,285	4,879,711	8,472,996
<b>Net assets - end of year</b>	<u>\$ 3,216,026</u>	<u>\$ 4,303,299</u>	<u>\$ 7,519,325</u>

The accompanying notes are an integral part of these financial statements

## Notes to the Financial Statements

June 30, 2019

These notes form an integral part of the financial statements.

### Note 1 - Summary of Significant Accounting Policies

#### Financial Reporting Entity

Walla Walla Community College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers baccalaureate degrees, associates 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 Comprehensive Annual Financial Report. These notes form an integral part of the financial statements.

The Walla Walla Community College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1982 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to support the educational and cultural programs of the College through an annual fund drive and other fund raising events. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the College or its students, the Foundation is considered a component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. A discrete component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2019, the Foundation distributed approximately \$885,227 to the College for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Walla Wall Community College Foundation, 500 Tausick Way, Walla Walla, WA 99362 or by calling (509)527-4275.

#### Basis of Presentation

The financial statements have been prepared in accordance with GASB Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments as amended by GASB Statement No. 35, Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities. For financial reporting purposes, the College is considered a special-purpose government engaged only in Business Type Activities (BTA). In accordance with BTA reporting, the College presents a Management's Discussion and Analysis; a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial

Statements. The format provides a comprehensive, entity-wide perspective of the College's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

### **Basis of Accounting**

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

Non-exchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange, includes state and federal appropriations, and certain grants and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met.

The preparation of financial statements in conformity with 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 and bank demand deposits. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets.

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis. The internal investment pool is comprised of cash and cash equivalents.

### **Accounts Receivable**

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

### **Inventories**

Merchandise inventory consists solely of merchandise held for resale in the bookstore and is valued at cost using the FIFO method. Consumable inventories consist solely of inventories of food supplies held for use by the campus café and are valued at cost using the FIFO method. The College's vocational programs purchase student project vehicles and valuation of these work-in-process projects are valued at actual costs incurred.

**Prepaid Items**

Prepaid items are generally outstanding credit memos received by the College's on-campus bookstore for items returned. Prepaid items also exist due to deposits on equipment.

**Capital Assets**

In accordance with state law, capital assets constructed with state funds are owned by the State of Washington. Property titles are shown accordingly. However, responsibility for managing the assets rests with the College. As a result, the assets are included in the financial statements because excluding them would 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. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets and software with a unit cost of \$1,000,000 or more, buildings and improvements with a unit cost of \$100,000 or more, library collections with a total cost of \$5,000 or more and all other assets with a unit cost of \$5,000 or more are capitalized. Depreciation is computed using the straight line method over the estimated useful lives of the assets as defined by the State of Washington's Office of Financial Management. Useful lives are generally 3 to 7 years for equipment, 15 to 50 years for buildings and 20 to 50 years for infrastructure and land improvements.

The College reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2019, no assets had been written down.

**Unearned Revenues**

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

**Tax Exemption**

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

**Pension Liability**

For purposes of measuring the net pension liability in accordance with GASB Statement No 68, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of Washington Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) and additions to/deductions from PERS's and TRS's fiduciary net position have been determined on

the same basis as they are reported by PERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Beginning fiscal year 2017, the College also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB 73 Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68 (Accounting and Financial Reporting for Pensions). The reporting requirements are similar to GASB 68 but use current fiscal year-end as the measurement date for reporting the pension liabilities.

### **OPEB Liability**

In fiscal year 2018, the College implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB). This Statement requires the College to recognize its proportionate share of the state's actuarially determined OPEB liability with a one year lag measurement date similar to GASB Statement No. 68.

### **Deferred Outflows of Resources and Deferred Inflows of Resources**

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

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

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

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

## **Net Position**

The College's net position is classified as follows.

- *Net Investment in Capital Assets.* This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- *Restricted.* Resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by statute, granting authorities, or third parties.
  - *Non-Expendable.* This includes resources from Federal Perkins Loans funds held in accordance with federal regulations.
  - *Expendable.* These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.
- *Unrestricted.* These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

## **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 College. 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.

*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 students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College



has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2019 are \$4,066,313.

### **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 in order to fund the State Board of Community and Technical College's Strategic Technology Plan. The use of the fund is to implement new ERP software across the entire system. On a monthly basis, the College's remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the statement of revenues, expenses and changes in net position.

## **Note 2 - Accounting and Reporting Changes**

### **Accounting Standard Impacting the Future**

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be in effect beginning fiscal year 2021. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The College is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the fiscal year ending June 30, 2021. This Statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, these costs will no longer be included in the capitalized cost of capital assets reported by the College. The Statement will be applied on a prospective basis and the interest costs capitalized prior to implementation will continue to be recognized as those assets are depreciated.

## **Note 3 - Deposits and Investments**

### **Deposits**

Cash and cash equivalents include bank demand deposits and petty cash held at the College.

As of June 30, 2019, the carrying amount of the College's cash and equivalents was \$9,271,377. Restricted cash included in total cash consists of amounts restricted for loans and institutional financial aid funds per RCW 28B.15.820. The classification is represented in the table below.

<b>Cash and Cash Equivalents</b>		<b>June 30, 2019</b>
Petty Cash and Change Funds	\$	9,375
Bank Demand		8,651,806
Restricted cash		610,196
<b>Total Cash and Cash Equivalents</b>	<b>\$</b>	<b>9,271,377</b>

#### **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 the Columbia Bank. All cash and equivalents, except for change funds and petty cash held by the College, are insured by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the Washington Public Deposit Protection Commission (PDPC).

#### **Note 4 - Accounts Receivable**

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenses made according to sponsored agreements. At June 30, 2019, accounts receivable were as follows:

<b>Accounts Receivable</b>	<b>Amount</b>
Student Tuition and Fees	\$ 1,127,990
Due from the Federal Government	322,972
Due from Other State Agencies	3,477,146
Auxiliary Enterprises	174,596
Other	880,127
Subtotal	5,982,832
Less Allowance for Uncollectible Accounts	(55,400)
<b>Accounts Receivable, net</b>	<b>\$ 5,927,432</b>

#### **Note 5 - Loans Receivable**

Loans receivable as of June 30, 2019 consisted primarily of student loans offered as part of the Federal Perkins Loan program, as follows:

<b>Loans Receivable</b>	<b>Amount</b>
Student Loans Receivable	\$ 890,488
Less Allowance for Uncollectible Accounts	(51,000)
<b>Loans Receivable, net</b>	<b>\$ 839,488</b>

## Note 6 - Inventories

Inventories, stated at cost using FIFO or actual project costs incurred, consisted of the following as of June 30, 2019:

<b>Inventories</b>	<b>Method</b>	<b>Amount</b>
Consumable Inventories	FIFO	\$ 13,245
Merchandise Inventories	FIFO	256,833
Work in Progress Inventories	Actual Cost	60,647
<b>Inventories</b>		<b>\$ 330,725</b>

## Note 7 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2019 is presented as follows. The current year depreciation expense was \$2,687,238. The College received two donated assets totaling \$11,768 during this fiscal year. These donated assets were recorded at acquisition value.

<b>Capital Assets</b>	<b>Beginning Balance</b>	<b>Additions/ Transfers</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Capital assets, non-depreciable</b>				
Land	\$ 2,553,379			\$ 2,553,379
Construction in progress	0	581,895		581,896
<b>Total capital assets, non-depreciable</b>	<b>2,553,379</b>	<b>581,895</b>	<b>-</b>	<b>3,135,275</b>
<b>Capital assets, depreciable</b>				
Buildings	70,441,875			70,441,875
Other improvements and infrastructure	2,801,091			2,801,091
Equipment	9,150,267	435,616	(13,145)	9,572,738
Library resources	2,941,715	19,988		2,961,703
<b>Total capital assets, depreciable</b>	<b>85,334,948</b>	<b>455,604</b>	<b>(13,145)</b>	<b>85,777,407</b>
<b>Less accumulated depreciation</b>				
Buildings	24,183,536	1,429,152		25,612,689
Other improvements and infrastructure	1,590,017	452,245		2,042,262
Equipment	6,689,738	777,037	(13,145)	7,453,630
Library resources	2,837,283	28,804		2,866,087
<b>Total accumulated depreciation</b>	<b>35,300,574</b>	<b>2,687,238</b>	<b>(13,145)</b>	<b>37,974,667</b>
<b>Total capital assets, depreciable, net</b>	<b>50,034,374</b>	<b>(2,231,634)</b>	<b>-</b>	<b>47,802,740</b>
<b>Capital assets, net</b>	<b>\$ 52,587,754</b>	<b>\$ (1,649,739)</b>	<b>\$ -</b>	<b>\$ 50,938,015</b>

#### Note 8 - Accounts Payable and Accrued Liabilities

Accrued liabilities as of June 30, 2019, were as follows:

<b>Accounts Payable and Accrued Liabilities</b>	<b>Amount</b>
Amounts Owed to Employees	\$ 836,242
Accounts Payable	1,549,305
Amounts Held for Others and Retainage	387,982
<b>Total</b>	<b>\$ 2,773,528</b>

#### Note 9 - Unearned Revenue

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

<b>Unearned Revenue</b>	<b>Amount</b>
Summer & Fall Quarter Tuition & Fees	\$ 1,008,994
Auxiliary Enterprises	\$ -
Grants and Contracts	55,508
<b>Total Unearned Revenue</b>	<b>\$ 1,064,501</b>

#### Note 10 - Risk Management

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

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

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

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. Payments made for claims from July 1, 2018 through June 30, 2019, were \$31,780.

### Note 11 - Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled \$1,126,695 and accrued sick leave totaled \$1,326,476 at June 30, 2019.

An estimated amount, based on a three-year average payout, is accrued as a current liability. The remaining amount of accrued annual and sick leave are categorized as non-current liabilities. Compensatory time is categorized as a current liability since it must be used before other leave. As of June 30, 2019, there was no compensatory time liability.

### Note 12 - Leases Payable

#### Operating Leases

The College also has leases for office equipment and buildings with various vendors. These leases are classified as operating leases.

As of June 30, 2019, the minimum lease payments under operating leases consist of the following:

Fiscal year	Equipment Leases	Property Leases
2020	\$ 34,310	\$ 93,514
2021	34,057	88,380
2022	24,775	-
2023	4,074	-
2024	97	-
2025-2029	-	-
<b>Total minimum lease payments</b>	<b>\$ 97,313</b>	<b>\$ 181,894</b>

### Note 13 - Notes Payable

In June, 2004, the College obtained financing to purchase property and buildings adjacent to the Clarkston Campus through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of \$530,000. The interest rate charged is approximately 1.94084%.

In June, 2004, the College obtained financing to purchase property adjacent to the Walla Walla Campus through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of \$1,110,000. The interest rate charged is approximately 1.96203%.

In June, 2006, the College obtained financing in order to purchase land and construct the Walla Walla Health Science building through a certificate of participation (COP), issued by the

Washington Office of State Treasurer (OST) in the amount of \$1,095,000. The interest rate charged is approximately 2.12571%.

In June, 2007, the College obtained financing in order to build the Clarkston Health Science Building through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of \$650,000. The interest rate charged is approximately 2.11868%.

In February, 2017, the college obtained financing to build a Workforce and Business Education building on the Clarkston Campus through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of \$1,300,000. The interest rate charged is approximately 3.40725%.

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

#### Note 14 - Annual Debt Service Requirements

Future debt service requirements at June 30, 2019 are as follows:

<b>Certificates of Participation</b>			
<b>Fiscal year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 220,000	\$ 116,750	\$ 336,750
2021	230,000	106,650	336,650
2022	235,000	96,100	331,100
2023	245,000	85,300	330,300
2024	250,000	74,050	324,050
2025-2029	565,000	241,750	806,750
2030-2034	400,000	133,750	533,750
2035-2039	285,000	29,000	314,000
<b>Total</b>	<b>\$ 2,430,000</b>	<b>\$ 883,350</b>	<b>\$ 3,313,350</b>

#### Note 15 - Schedule of Long Term Liabilities

	<b>Balance outstanding 6/30/18</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance outstanding 6/30/19</b>	<b>Current portion</b>
Certificates of Participation	\$ 2,645,000		\$ 215,000	\$ 2,430,000	\$ 220,000
Compensation absences	2,423,123	1,417,050	1,387,006	2,453,167	205,811
Net Pension Liability	4,324,366	3,541,429	4,875,716	2,990,079	-
Total Pension Liability	2,444,729	577,167	19,997	3,001,899	61,667
Total OPEB liability	19,265,317	4,461,018	7,715,357	16,010,978	293,979
<b>Total</b>	<b>\$ 31,102,535</b>	<b>\$ 9,996,664</b>	<b>\$ 14,213,076</b>	<b>\$ 26,886,123</b>	<b>\$ 781,457</b>

## Note 16 – Retirement Plans

### A. General

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

### Basis of Accounting

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

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 and No. 73 for Walla Walla Community College, for fiscal year 2019:

Aggregate Pension Amounts - All Plans		
Pension Liabilities	\$	5,991,978
Deferred outflows of resources related to pensions	\$	1,424,257
Deferred inflows of resources related to pensions	\$	2,236,867
Pension Expense	\$	77,367

### Department of Retirement Systems

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

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

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

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

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

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

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

### **Higher Education**

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

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

### **PERS**

Plan Description. The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme Court, Court of Appeals, and Superior



Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

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

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

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

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

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

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is

the average of the member's 60 highest paid consecutive months. PERS Plan 2 members have the option to retire early with reduced benefits.

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

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

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

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

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

## **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. Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative, or supervisory capacity. TRS is comprised principally of non-state agency employees.

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

TRS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by June 30, 1996, are

Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS members joining the system on or after July 1, 1996, are members of TRS Plan 3. Legislation passed in 2007 gives TRS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of TRS Plan 2 or Plan 3. At the end of 90 days, any member who has not made a choice becomes a member of Plan 3.

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

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

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

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

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

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

### **Contributions**

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

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

The employer contribution rates (expressed as a percentage of covered payroll) and actual contributions for the year ended June 30, 2019 were as follows:

	<b>PERS 1</b>	<b>PERS 2/3*</b>	<b>TRS 1</b>	<b>TRS 2/3*</b>
Contribution Rate	12.83%	12.83%	15.41%	15.41%
Actual Contributions	\$ 299,308	\$ 437,818	\$ 34,810	\$ 36,918

\* 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, 2017, with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary (OSA) applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board (WSIB). Those expected returns make up one component of the WSIB's Capital Market Assumptions (CMAs). 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.

The Office of the State Actuary (OSA) selected a 7.40 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by the WSIB. Refer to the 2017 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

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, 2018, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	20%	1.7%
Tangible Assets	7%	4.9%
Real Estate	18%	5.8%
Global Equity	32%	6.3%
Private Equity	23%	9.3%
<b>Total</b>	<b>100%</b>	

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

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

#### **Discount rate**

The discount rate used to measure the total pension liability was 7.40 percent, the same as the prior measurement date. 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. Consistent with current law, the completed asset sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 and TRS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit

payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

#### **Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

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

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>(6.40%)</b>	<b>(7.40%)</b>	<b>(8.40%)</b>
PERS 1	2,263,667	1,841,971	1,476,697
PERS 2/3	4,085,899	893,283	(1,724,305)
TRS 1	275,973	220,797	173,030
TRS 2/3	212,091	34,029	(110,620)

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

Pension Liabilities. At June 30, 2019, the College reported a total pension liability of \$2,990,080 for its proportionate share of the net pension liabilities as follows:

	<b>Liability</b>
PERS 1	\$ 1,841,972
PERS 2/3	893,282
TRS 1	220,797
TRS 2/3	34,029

The College's proportionate share of pension liabilities for fiscal years ending June 30, 2018 and June 30, 2019 for each retirement plan are listed below:

	<b>2017</b>	<b>2018</b>	<b>Change</b>
PERS 1	0.043956%	0.041244%	-0.002712%
PERS 2/3	0.055956%	0.052318%	-0.003638%
TRS 1	0.008157%	0.007560%	-0.000597%
TRS 2/3	0.005180%	0.007560%	0.002380%

The College's proportion of the net pension liability 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, 2019 the College recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$ 29,897
PERS 2/3	(44,409)
TRS 1	4,976
TRS 2/3	22,519
<b>TOTAL</b>	<b>\$ 12,983</b>

Deferred Outflows and Inflows of Resources Related to Pensions

The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2019:

	<b>PERS 1</b>	
	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	73,199
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	299,308	-
<b>Totals</b>	<b>\$ 299,308</b>	<b>\$ 73,199</b>

	<b>PERS 2/3</b>	
	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>
Difference between expected and actual experience	109,493	156,397
Difference between expected and actual earnings of pension plan investments	-	548,160
Changes of assumptions	10,450	254,221
Changes in College's proportionate share of pension liabilities	6,999	224,419
Contributions subsequent to the measurement date	437,818	-
<b>Totals</b>	<b>\$ 564,760</b>	<b>\$ 1,183,197</b>

	TRS 1	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	9,442
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	34,810	-
<b>Totals</b>	<b>\$ 34,810</b>	<b>\$ 9,442</b>

	TRS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	15,991	2,513
Difference between expected and actual earnings of pension plan investments	-	28,779
Changes of assumptions	579	13,675
Changes in College's proportionate share of pension liabilities	31,366	22,587
Contributions subsequent to the measurement date	36,918	-
<b>Totals</b>	<b>\$ 84,854</b>	<b>\$ 67,554</b>

The \$808,854 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2020.

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

<b>Year ended June 30:</b>	<b>PERS1</b>	<b>PERS 2/3</b>	<b>TRS 1</b>	<b>TRS 2/3</b>
2020	\$ 3,202	\$ (128,569)	\$ 945	\$ 3,869
2021	(16,002)	(219,848)	(1,955)	(4,508)
2022	(48,017)	(370,266)	(6,714)	(14,796)
2023	(12,383)	(158,988)	(1,718)	(4,319)
2024		(80,729)		(269)
Thereafter		(97,854)		405
	\$ (73,200)	\$ (1,056,254)	\$ (9,442)	\$ (19,618)



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

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

Plan Description. The State Board Retirement Plan is a privately administered single-employer defined contribution plans with a supplemental defined benefit plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. Walla Walla Community College participates in this plan as authorized by chapter 28B.10 RCW and reports its proportionate share of the total pension liability. 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.

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, 2019 were each \$1,363,633.

Benefits Provided. The State Board Supplemental Retirement Plans (SRP) provide retirement, disability, and death benefits to eligible members.

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

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

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

The SRP pension benefits are unfunded. For the year ended June 30, 2019, supplemental benefits were paid by the SBCTC on behalf of the system in the amount of \$1,818,000. The College's share of this amount was \$49,450. In 2012, legislation (RCW 28B.10.423) was passed requiring Colleges to pay into a Higher Education Retirement Plan (HERP) Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During fiscal year 2019, the College paid into this fund at a rate of 0.5% of covered salaries, totaling 80,657. This amount was not used as a part of GASB 73 calculations; its status as an asset has not been determined by the Legislature. As of June 30, 2018, the Community and Technical College system accounted for \$19,733,342 of the fund balance.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2018, with the results rolled forward to the June 30, 2019, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Salary Increases	3.50%-4.25%
Fixed Income and Variable Income Investment Returns*	4.25-6.50%

\*Measurement reflects actual investment returns through June 30, 2018

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Most actuarial assumptions used in the June 30, 2018 valuation were based on the results of the April 2016 Supplemental Plan Experience Study. Additional assumptions related to the fixed income and variable income investments were based on feedback from financial administrators of the Higher Education Supplemental Retirement Plans.

Material assumption changes during the measurement period include the discount rate decrease from 3.87 percent to 3.50 percent.

Discount Rate. The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.50 percent for the June 30, 2019, measurement date.

Pension Expense. Pension expense for the fiscal year ending June 30, 2019 was 64,384:

<b>Proportionate Share (%)</b>	<b>2.72%</b>
Service Cost	\$ 77,544
Interest Cost	93,798
Amortization of Difference Between Expected and Actual Experience	(102,123)
Amortization of Changes of Assumptions	11,576
Changes of Benefit Terms	-
Administrative Expenses	-
Other Changes in Fiduciary Net Position	-
<b>Proportionate Share of Collective Pension Expense</b>	<b>\$ 80,794</b>
Amortization of the Change in Proportionate Share of TPL	(16,410)
<b>Total Pension Expense</b>	<b>\$ 64,384</b>

Proportionate Shares of Pension Liabilities. The College's proportionate share of pension liabilities for fiscal year ending June 30, 2018 was 2.71948%. The College's proportion of the total pension liability 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 College's. The College's change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources are represented in the following table:

<b>Proportionate Share (%) 2018</b>	<b>2.80%</b>
<b>Proportionate Share (%) 2019</b>	<b>2.72%</b>
Total Pension Liability - Ending 2018	\$ 2,444,732
Total Pension Liability - Beginning 2019	2,370,652
Total Pension Liability - Change in Proportion	<u>\$ (74,080)</u>
Total Deferred Inflow/Outflows - 2018	\$ 988,740
Total Deferred Inflow/Outflows - 2019	958,780
Total Deferred Inflows/Outflows - Change in Proportion	<u>\$ (29,961)</u>
<b>Total Change in Proportion</b>	<b><u>\$ (104,041)</u></b>

Plan Membership. Membership in the State Board Supplemental Retirement Plan consisted of the following as of June 30, 2018, the most recent actuarial valuation date:

<b>Plan</b>	<b>Number of Participating Members</b>		<b>Active Members</b>	<b>Total Members</b>
	<b>Inactive Members or Beneficiaries Currently Receiving Benefits</b>	<b>Inactive Members Entitled to But Not Yet Receiving Benefits</b>		
Walla Walla Community College -SBRP	18	12	148	178

Change in Total Pension Liability. The following table presents the change in total pension liability of the State Board Supplemental Retirement Plan at June 30, 2019:

<b>Schedule of Changes in Total Pension Liability</b>	
	<b>Amount</b>
Service Cost	\$ 77,544
Interest	93,798
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	176,842
Changes in Assumptions	332,513
Benefit Payments	(49,450)
Change in Proportionate Share of TPL	(74,080)
Other	-
Net Change in Total Pension Liability	<u>557,167</u>
Total Pension Liability - Beginning	<u>2,444,732</u>
<b>Total Pension Liability - Ending</b>	<b><u>\$ 3,001,899</u></b>

Sensitivity of the Total Pension Liability to Changes in the Discount Rate. The following table presents the total pension liability, calculated using the discount rate of 3.50 percent, as well as what the employers' total pension liability would be if it were calculated using a discount rate

that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

<b>1% Decrease 2.50%</b>	<b>Current Discount Rate 3.50%</b>	<b>1% Increase 4.50%</b>
\$ 3,430,107	\$ 3,001,899	\$ 2,646,326

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions. At June 30, 2019, the State Board Supplemental Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference Between Expected and Actual Experience	\$ 152,945	\$ 629,197
Changes of Assumptions	287,579	170,197
Changes in College's proportionate share of pension liability	-	104,082
Transactions Subsequent to the Measurement Date	-	-
<b>Total</b>	<b>\$ 440,523</b>	<b>\$ 903,475</b>

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:

<b>State Board Supplemental Retirement Plan</b>	
2020	(106,957)
2021	(106,957)
2022	(106,957)
2023	(106,957)
2024	(62,134)
Thereafter	27,011
	<b>(462,952)</b>

#### Note 17 - Other Post-Employment Benefits

**Plan Description.** In addition to pension benefits as described in Note 16, the College, through the Health Care Authority (HCA), administers a single employer defined benefit other postemployment benefit (OPEB) plan. Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs.

The PEBB OPEB plan is administered by the state and is funded on a pay-as-you-go basis. In the state CAFR 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.** Employers participating in the PEBB plan for the state include general government agencies, higher education institutions, and component units. Additionally, there are 76 of the state's K-12 schools and educational service districts (ESDs), and 249 political subdivisions and tribal governments not included in the state's financial reporting who participate in the PEBB plan. The plan is also available to the retirees of the remaining 227 K-12 schools, charter schools, and ESDs. Membership in the PEBB plan for the College consisted of the following:

<b>Summary of Plan Participants As of June 30, 2018</b>	
Active Employees*	379
Retirees Receiving Benefits**	147
Retirees Not Receiving Benefits***	19
Total Active Employees and Retirees	545
<p>*Reflects active employees eligible for PEBB program participation as of June 30, 2018.</p> <p>**Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.</p> <p>***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 the meets the requirements set forth in Washington Administrative Code 182-12-205.</p>	

The PEBB retiree 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 system. PEBB members are covered in the following retirement systems: PERS, PSERS, TRS, SERS, WSPRS, Higher Education, Judicial, and LEOFF 2. However, not all employers who participate in these plans offer PEBB to retirees.

**Benefits Provided.** Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue 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. In calendar year 2017, the average weighted implicit subsidy was valued at \$327 per adult unit per month, and in calendar year 2018, the average weighted implicit subsidy was valued at \$347 per adult unit per month. In calendar year 2019, the average weighted implicit subsidy is projected to be \$368 per adult unit per month.

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 2017, the explicit subsidy was up to \$150 per member per month, and it remained up to \$150 per member per month in calendar years 2018. This was increased in calendar year 2019 up to \$168 per member per month. It is projected to increase to \$183 per member per month in calendar year 2020.

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

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

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

<b>Required Premium*</b>		
Medical	\$	1,092
Dental		79
Life		4
Long-term Disability		2
Total		1,177
Employer contribution		1,017
Employee contribution		160
Total	\$	1,177
*Per 2019 PEBB Financial Projection Model 7.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2019 which includes projected claims cost at the time of this reporting.		

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to:

<http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>

### **Total OPEB Liability**

As of June 30, 2019, the state reported a total OPEB liability of \$5.08 billion. The College's proportionate share of the total OPEB liability is \$16,010,979. This liability was determined based on a measurement date of June 30, 2018.

**Actuarial Assumptions.** Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<b>Inflation Rate</b>	2.75%
<b>Projected Salary Changes</b>	3.50% Plus Service-Based Salary Increases
<b>Health Care Trend Rates*</b>	Trend rate assumptions vary slightly by medical plan. Initial rate is approximately 8%, reaching an ultimate rate of approximately 4.5% in 2080
<b>Post-Retirement Participation Percent</b>	65%
<b>Percentage with Spouse Coverage</b>	45%

In projecting the growth of the explicit subsidy, after 2020 when the cap is \$183, it is assumed to grow at the health care trend rates. The Legislature determines the value of the cap and no future increases are guaranteed; however, based on historical growth patterns, future increases to the cap are assumed.

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are 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 2007-2012 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 2017 Economic Experience Study.

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

<b>Actuarial Valuation Date</b>	6/30/2018
<b>Actuarial Measurement Date</b>	6/30/2018
<b>Actuarial Cost Method</b>	Entry Age
<b>Amortization Method</b>	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.
<b>Asset Valuation Method</b>	N/A - No Assets

**Discount Rate.** Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.58 percent for the June 30, 2017 measurement date and 3.87 percent for the June 30, 2018 measurement date.

Additional detail on assumptions and methods can be found on OSA's website:

<http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>

#### Changes in Total OPEB Liability

As of June 30, 2019, components of the calculation of total OPEB liability determined in accordance with GASB Statement No. 75 for the College are represented in the following table:

<b>Walla Walla Community College</b>	
<b>Proportionate Share (%)</b>	<b>0.3152615623%</b>
Service Cost	\$ 1,001,031
Interest Cost	688,203
Differences Between Expected and Actual Experience	628,196
Changes in Assumptions*	(4,382,367)
Changes of Benefit Terms	-
Benefit Payments	(290,663)
Changes in Proportionate Share	(898,738)
Other	-
Net Change in Total OPEB Liability	(3,254,338)
Total OPEB Liability - Beginning	19,265,317
<b>Total OPEB Liability - Ending</b>	<b>\$ 16,010,979</b>
*The recognition period for these changes is nine years. This is equal to the average expected remaining service lives of all active and inactive members.	

**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 3.87 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 (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

<b>Discount Rate Sensitivity</b>		
<b>Current</b>		
<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
\$ 19,305,476	\$ 16,010,979	\$ 13,440,558

**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 8.00 percent decreasing to 4.50 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 (7.00 percent decreasing to 3.5.00 percent) or 1 percentage point higher (9.0 percent decreasing to 5.5 percent) than the current rate:

<b>Health Care Cost Trend Rate Sensitivity</b>		
<b>Current</b>		
<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
\$ 13,143,462	\$ 16,010,979	\$ 19,824,232

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

For the year ending June 30, 2019, the College will recognize OPEB expense of \$789,777. OPEB expense consists of the following elements:

<b>Walla Walla Community College</b>	
<b>Proportionate Share (%)</b>	<b>0.3152615623%</b>
Service Cost	\$ 1,001,031
Interest Cost	688,203
Amortization of Differences Between Expected and Actual Experience	69,800
Amortization of Changes in Assumptions	(803,043)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	(166,214)
Administrative Expenses	-
<b>Total OPEB Expense</b>	<b>\$ 789,777</b>

As of June 30, 2019, the deferred inflows and deferred outflows of resources for the College are as follows:

Walla Walla Community College			
<b>Proportionate Share (%)</b>	<b>0.3152615623%</b>		
<b>Deferred Inflows/Outflows of Resources</b>	<b>Deferred Inflows</b>	<b>Deferred Outflows</b>	
Difference between expected and actual experience	\$ -	\$	558,396
Changes in assumptions	6,108,229		-
Changes in benefit terms	-		-
Transactions subsequent to the measurement date	-		293,979
Changes in proportion	1,275,532		-
<b>Total Deferred Inflows/Outflows</b>	<b>\$ 7,383,761</b>	<b>\$</b>	<b>852,375</b>

Amounts reported as deferred outflow of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense in subsequent years for the College as follows:

<b>Proportionate Share (%)</b>	<b>0.3152615623%</b>
2020	\$ (899,457)
2021	(899,457)
2022	(899,457)
2023	(899,457)
2024	(899,457)
Thereafter	(2,328,080)

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

<b>Proportionate Share (%) 2017</b>	<b>0.3306883667%</b>
<b>Proportionate Share (%) 2018</b>	<b>0.3152615623%</b>
Total OPEB Liability - Ending 2017	\$ 19,265,317
Total OPEB Liability - Beginning 2018 (chg in prop)	18,366,579
Total OPEB Liability Change in Proportion	(898,738)
Total Deferred Inflows/Outflows - 2017	(2,347,766)
Total Deferred Inflows/Outflows - 2018 (chg in prop)	(2,238,241)
Total Deferred Inflows/Outflows Change in Proportion	109,525
<b>Total Change in Proportion</b>	<b>\$ (1,008,263)</b>

### Note 18 - Operating Expenses by Function

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, 2019.

<b>Expenses by Functional Classification</b>		
Instruction	\$	17,355,835
Academic Support Services		5,766,113
Student Services		5,223,424
Institutional Support		7,106,619
Operations and Maintenance of Plant		6,229,286
Auxiliary enterprises		2,637,186
Student Financial Aid		6,201,185
Depreciation		2,687,238
<b>Total operating expenses</b>	<b>\$</b>	<b>53,206,887</b>

### Note 19 - Commitments and Contingencies

The College will begin construction on two capital projects that will be funded entirely with fees that students voted to assess starting Fall Quarter 2016. Fee revenues will cover the debt service costs on a total loan amount not to exceed \$8 million for both projects. A new Recreation Center is planned for the Walla Walla Campus and the renovation of a couple classrooms will create a dedicated student activity space for the Clarkston Campus. The State Legislature has authorized two Certificates of Participation (COP) for these projects. As of June 30, 2019 approximately \$1.92 million in accumulated fees was remaining.

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

## Required Supplementary Information

### Pension Plan Information

#### Cost Sharing Employer Plans

Schedules of Walla Walla Community College's Proportionate Share of the Net Pension Liability

<b>Schedule of Walla Walla Community College's Share of the Net Pension Liability</b> <b>Public Employees' Retirement System (PERS) Plan 1</b> Measurement Date of June 30						
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability	
2014	0.047047%	\$ 2,370,015	\$ 5,057,376	46.86%	61.19%	
2015	0.047908%	\$ 2,506,034	\$ 5,386,887	46.52%	59.10%	
2016	0.046740%	\$ 2,510,158	\$ 5,522,193	45.46%	57.03%	
2017	0.043956%	\$ 2,085,746	\$ 5,510,818	37.85%	61.24%	
2018	0.041244%	\$ 1,841,972	\$ 5,453,619	33.78%	63.22%	
2019						
2020						
2021						
2022						
2023						

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

## Cost Sharing Employer Plans

### Schedules of Walla Walla Community College's Proportionate Share of the Net Pension Liability

Schedule of Walla Walla Community College's Share of the Net Pension Liability						
Public Employees' Retirement System (PERS) Plan 2/3						
Measurement Date of June 30						
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability	
2014	0.057918%	\$ 1,170,732	\$ 4,955,365	23.63%	93.29%	
2015	0.059767%	\$ 2,135,509	\$ 5,303,083	40.27%	89.20%	
2016	0.058573%	\$ 2,949,105	\$ 5,468,697	53.93%	85.82%	
2017	0.055956%	\$ 1,944,204	\$ 5,484,177	35.45%	90.97%	
2018	0.052318%	\$ 893,282	\$ 5,427,571	16.46%	95.77%	
2019						
2020						
2021						
2022						
2023						

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

## Cost Sharing Employer Plans

### Schedules of Walla Walla Community College's Proportionate Share of the Net Pension Liability

<b>Schedule of Walla Walla Community College's Share of the Net Pension Liability</b> <b>Teacher's Retirement System (TRS) Plan 1</b> Measurement Date of June 30						
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability	
2014	0.009257%	\$ 273,031	\$ 338,142	80.74%	68.77%	
2015	0.009708%	\$ 307,563	\$ 387,476	79.38%	65.70%	
2016	0.010622%	\$ 362,660	\$ 459,740	78.88%	62.07%	
2017	0.008157%	\$ 246,608	\$ 366,150	67.35%	65.58%	
2018	0.007560%	\$ 220,797	\$ 443,419	49.79%	66.52%	
2019						
2020						
2021						
2022						
2023						

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

## Cost Sharing Employer Plans

### Schedules of Walla Walla Community College's Proportionate Share of the Net Pension Liability

Schedule of Walla Walla Community College's Share of the Net Pension Liability						
Teachers' Retirement System (TRS) Plan 2/3						
Measurement Date of June 30						
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability	
2014	0.006200%	\$ 20,025	\$ 266,847	7.50%	96.81%	
2015	0.006759%	\$ 57,033	\$ 315,420	18.08%	92.48%	
2016	0.007771%	\$ 106,719	\$ 385,341	27.69%	88.72%	
2017	0.005180%	\$ 47,808	\$ 284,032	16.83%	93.14%	
2018	0.007560%	\$ 34,029	\$ 439,273	7.75%	96.88%	
2019						
2020						
2021						
2022						
2023						

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

## Pension Plan Information

### Cost Sharing Employer Plans

#### Schedules of Contributions

<b>Schedule of Contributions</b>						
<b>Public Employees' Retirement System (PERS) Plan 1</b>						
Fiscal Year Ended June 30						
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll	
2014	\$ 208,243	\$ 208,243	\$ -	\$ 5,057,376	4.12%	
2015	\$ 220,184	\$ 220,184	\$ -	\$ 5,386,887	4.09%	
2016	\$ 265,060	\$ 265,060	\$ -	\$ 5,522,193	4.80%	
2017	\$ 264,406	\$ 264,406	\$ -	\$ 5,510,818	4.80%	
2018	\$ 275,682	\$ 275,682	\$ -	\$ 5,453,619	5.06%	
2019	\$ 299,308	\$ 299,308	\$ -	\$ 5,836,472	5.13%	
2020						
2021						
2022						
2023						

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



**Cost Sharing Employer Plans**  
Schedules of Contributions

<b>Schedule of Contributions</b> <b>Public Employees' Retirement System (PERS) Plan 2/3</b> Fiscal Year Ended June 30						
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll	
2014	\$ 244,668	\$ 244,668	\$ -	\$ 4,955,365	4.94%	
2015	\$ 266,232	\$ 266,232	\$ -	\$ 5,303,083	5.02%	
2016	\$ 338,137	\$ 338,137	\$ -	\$ 5,468,697	6.18%	
2017	\$ 341,774	\$ 341,774	\$ -	\$ 5,484,177	6.23%	
2018	\$ 403,689	\$ 403,689	\$ -	\$ 5,427,571	7.44%	
2019	\$ 437,818	\$ 437,818	\$ -	\$ 5,826,059	7.51%	
2020						
2021						
2022						
2023						

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

**Cost Sharing Employer Plans**  
Schedules of Contributions

<b>Schedule of Contributions</b> <b>Teachers' Retirement System (TRS) Plan 1</b> Fiscal Year Ended June 30							
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll		
2014	\$ 18,306	\$ 18,306	\$ -	\$ 338,142	5.41%		
2015	\$ 21,724	\$ 21,724	\$ -	\$ 387,476	5.61%		
2016	\$ 26,475	\$ 26,475	\$ -	\$ 459,740	5.76%		
2017	\$ 28,545	\$ 28,545	\$ -	\$ 366,150	7.80%		
2018	\$ 31,442	\$ 31,442	\$ -	\$ 443,419	7.09%		
2019	\$ 34,810	\$ 34,810	\$ -	\$ 471,490	7.38%		
2020							
2021							
2022							
2023							

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

**Cost Sharing Employer Plans**  
Schedules of Contributions

<b>Schedule of Contributions</b> <b>Teachers' Retirement System (TRS) Plan 2/3</b> Fiscal Year Ended June 30							
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll		
2014	\$ 15,214	\$ 15,214	\$ -	\$ 266,847	5.70%		
2015	\$ 17,962	\$ 17,962	\$ -	\$ 315,420	5.69%		
2016	\$ 31,172	\$ 31,172	\$ -	\$ 385,341	8.09%		
2017	\$ 19,087	\$ 19,087	\$ -	\$ 284,032	6.72%		
2018	\$ 33,610	\$ 33,610	\$ -	\$ 439,273	7.65%		
2019	\$ 36,918	\$ 36,918	\$ -	\$ 471,490	7.83%		
2020							
2021							
2022							
2023							

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

## State Board Supplemental Defined Benefit Plans

<b>Schedule of Changes in the Total Pension Liability and Related Ratios</b> <b>Walla Walla Community College</b> Fiscal Year Ended June 30, 2019 <i>(expressed in thousands)</i>			
	2017	2018	2019
<b>Total Pension Liability</b>			
Service Cost	\$ 153	\$ 107	\$ 78
Interest	99	99	94
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(714)	(292)	(102)
Changes of assumptions	(169)	(99)	12
Benefit Payments	(25)	(36)	
Change in proportionate share of TPL		(14)	(16)
Other	-	-	
<b>Net Change in Total Pension Liability</b>	<b>(657)</b>	<b>(235)</b>	<b>64</b>
<b>Total Pension Liability - Beginning</b>	<b>3,337</b>	<b>2,680</b>	<b>2,445</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 2,680</b>	<b>\$ 2,445</b>	<b>\$ 2,509</b>
<b>College's Proportion of the Pension Liability</b>	2.81984%	2.80446%	2.71948%
<b>Covered-employee payroll</b>	<b>\$ 15,894</b>	<b>\$ 16,104</b>	<b>\$ 16,129</b>
<b>Total Pension Liability as a percentage of covered-employee payroll</b>	16.86388%	15.18331%	15.55865%

Notes: This schedule will be built prospectively until it contains 10 years of data.

### State Board Supplemental Defined Benefit Plans Notes to Required Supplementary Information

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

## Other Postemployment Benefits Information

Schedule of Changes in Total OPEB Liability and Related Ratios		
Fiscal Year Ended June 30		
Total OPEB Liability	2018	2019
Service cost	\$ 1,306,071	\$ 1,001,031
Interest cost	611,772	688,203
Difference between expected and actual experience	-	628,196
Changes in assumptions	(2,984,233)	(4,382,367)
Changes in benefit terms	-	-
Benefit payments	(311,769)	(290,663)
Changes in proportionate share	(495,146)	(898,738)
Other	-	-
<b>Net Changes in Total OPEB Liability</b>	<b>\$ (1,873,305)</b>	<b>\$ (3,254,338)</b>
<b>Total OPEB Liability - Beginning</b>	<b>\$ 21,138,622</b>	<b>\$ 19,265,317</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 19,265,317</b>	<b>\$ 16,010,979</b>
<b>College's proportion of the Total OPEB Liability (%)</b>	<b>0.330688%</b>	<b>0.315262%</b>
<b>Covered-employee payroll</b>	<b>\$ 22,019,108</b>	<b>\$ 24,940,128</b>
<b>Total OPEB Liability as a percentage of covered-employee payroll</b>	<b>87.493630%</b>	<b>64.197661%</b>

This schedule will be built prospectively until it contains 10 years of data.

### Notes to Required Supplementary Information

The Public Employee's Benefits Board (PEBB) OPEB plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis. Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, salary projections, and participation percentages.

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

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Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
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