



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Wenatchee Valley College

For the period July 1, 2019 through June 30, 2020

Published April 12, 2021

Report No. 1028122



Find out what's new at SAO
by scanning this code with
your smartphone's camera



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

April 12, 2021

Board of Trustees
Wenatchee Valley College
Wenatchee, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

Americans with Disabilities

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

TABLE OF CONTENTS

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.....	4
Independent Auditor's Report on the Financial Statements.....	7
Financial Section.....	10
About the State Auditor's Office.....	70

INDEPENDENT AUDITOR'S REPORT

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

Wenatchee Valley College July 1, 2019 through June 30, 2020

Board of Trustees
Wenatchee Valley College
Wenatchee, 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 Wenatchee Valley College, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated April 2, 2021.

Our report includes a reference to other auditors who audited the financial statements of the Wenatchee Valley 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 auditors' testing of internal control over financial reporting and compliance and other matters that are reported on the separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report of the other auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

The financial statements of the Wenatchee Valley 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, 2020, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

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*.

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

April 2, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Wenatchee Valley College July 1, 2019 through June 30, 2020

Board of Trustees
Wenatchee Valley College
Wenatchee, 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 Wenatchee Valley College, as of and for the year ended June 30, 2020, 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 Wenatchee Valley 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 *Government 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.

Opinions

In our opinion, based on our audit and the report of the other auditors, 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 Wenatchee Valley College, as of June 30, 2020, 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 statement of the Wenatchee Valley 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, 2020, 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 State 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 April 2, 2021 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

April 2, 2021

**Wenatchee Valley College
July 1, 2019 through June 30, 2020**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

College Statement of Net Position– 2020
College Statement of Revenues, Expenses and Changes in Net Position – 2020
College Statement of Cash Flows – 2020
Foundation Statement of Financial Position – 2020
Foundation Statement of Activities – 2020
Notes to the Financial Statement – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Wenatchee Valley College's Share of the Net Pension Liability – PERS 1,
PERS 2/3, TRS 1, TRS 2/3 – 2020
Schedule of Contributions – PERS 1, PERS 2/3, TRS 1, TRS 2/3 – 2020
Schedule of Changes in the Total Pension Liability and Related Ratios – State Board
Supplemental Defined Benefit Plans – 2020
Schedule of Changes in the Total OPEB Liability and Related Ratios – 2020

Management's Discussion and Analysis

Wenatchee Valley College

The following discussion and analysis provides an overview of the financial position and activities of Wenatchee Valley College (the College) for the fiscal year ended June 30, 2020 (FY 2020). 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.

Reporting Entity

Wenatchee Valley College is one of thirty public community and technical college districts in the state of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 2,800 students. The College confers four-year degrees for nursing, engineering, and teaching, associates degrees, certificates, and high school diplomas. The College was established in 1939 and its primary purpose is to provide opportunities for diverse learners to achieve their educational and professional goals, thereby enriching the social, cultural and economic environment of our region and the global community.

The College's main campus is located in Wenatchee, Washington. Wenatchee and East Wenatchee (across the Columbia River from Wenatchee) together form a community of about 48,500 residents. The College also offers classes and support services on a satellite campus in Omak, Washington, 92 miles to the north. Omak and neighboring Okanogan together form a community of about 7,400 residents. The College service district covers all of Chelan, Douglas and Okanogan counties, and a geographic area of 10,158 square miles with a population of 163,000. The College is governed by a five member Board of Trustees appointed by the governor of the state with the consent of the state Senate. In accordance with Washington State law governing technical colleges, the College's board includes one member from business and one member from labor. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its discretely presented component unit, the Wenatchee Valley College Foundation. The Wenatchee Valley College at Omak Foundation is not included because its contributions to the College are immaterial to the College financial position. 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, 2020. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the College's financial health.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are reported under the accrual basis of accounting where all of the current year's revenues and expenses are taken into account regardless of when cash is received or payments are made. Full accrual statements are intended to provide a view of the College's financial

position similar to that presented by most private-sector companies. These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

Statement of Net Position

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

Condensed Statement of Net Position As of June 30th	FY 2020	FY 2019
Assets		
Current Assets	\$ 9,798,711	\$ 2,695,819
Long-term Restricted Cash	378,260	378,260
Capital Assets, net	48,979,519	46,980,470
Total Assets	\$ 59,156,490	\$ 50,054,549
Deferred Outflows	\$ 4,120,244	\$ 2,882,110
Liabilities		
Current Liabilities	4,823,945	5,037,193
Other Liabilities, non-current	31,657,333	26,450,893
Total Liabilities	\$ 36,481,278	\$ 31,488,086
Deferred Inflows	\$ 6,065,829	\$ 6,586,932
Net Position	\$ 20,729,627	\$ 14,861,641

Current assets consist primarily of cash and cash equivalents and accounts receivables. The increase of current assets is due mainly to an increase in cash and an increase in accounts receivable. The increase in cash is due mainly to CARES Act funding, budget reductions, and a Wenatchee Valley College Foundation gift for Wells Construction. The increase in accounts receivable can mainly be attributed to a new receivable related to the Certificate of Participation (COP) for the construction of the Wells Hall building.

Net capital assets increased by \$1,999,049 from FY 2019 to FY 2020. The increase is primarily the \$3,249,637 for the construction of the new Wells Hall building. This increase was offset by current depreciation expense of \$1,476,386.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and other post-employment benefits (OPEB) associated with the implementation of GASB Statement No. 68 in FY 2015, GASB Statement No. 73 in FY 2017, and GASB Statement No. 75 in FY 2018. The increase in deferred outflows reflect the College's proportionate share of a net change 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 \$4,120,244 in FY 2020 and \$2,882,110 in FY 2019 of pension and postemployment-related deferred outflows. The increase

reflects the change in proportionate share, difference between expected and actual experience, and changes in assumption.

Similarly, the decrease in deferred inflows in FY 2020 reflects the decrease in difference between actual and projected investment earnings on the state's pension plans and other post-employment benefits.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, deposits held for others, unearned revenue, the current portion of Certificate of Participation (COP) debt, total pension liability, and OPEB liability. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements.

The net decrease in current liabilities from FY 2019 to FY 2020 is mostly due to the decrease in the accounts payable due to budget reductions and remote operations.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees, the long-term portion of Certificates of Participation debt, pension liability, and the OPEB liability.

The College's significant increase in non-current liabilities is the result of a new Certificate of Participation to fund the Wells Hall building and an increase in the OPEB liability.

Net position represents the College's assets plus deferred outflows, less liabilities and deferred inflows, and measures whether the financial condition has improved or worsened during the year. The College is required by accounting standards to report its net position in four categories:

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

Restricted:

Nonexpendable – consists of funds in which a donor or external party has imposed the restriction that the corpus or principal is not available for spending but for investment purposes only.

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. The primary expendable funds for the College are the expendable portion of endowments and amounts restricted for student aid and a restricted donation from the Foundation.

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.

Condensed Statement of Net Position As of June 30	FY 2020	FY 2019
Net investment in capital assets	\$ 40,632,519	\$ 38,184,470
Restricted		
Nonexpendable	378,860	378,860
Expendable	1,096,991	182,270
Unrestricted	(21,378,743)	(23,883,959)
Net Position	\$ 20,729,627	\$ 14,861,641

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 2020. The objective of the statement is to present the revenues earned, both operating and non-operating, and the expenses paid or incurred by the College, along with any other revenue, expenses, gains and losses of the College.

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

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

A condensed comparison of the College's revenues, expense and changes in net position for the years ended June 30, 2020 and 2019 is presented below.

Condensed Statement of Revenue, Expenses and Changes in Net Position		
For the Years Ended June 30, 2020 and 2019		
	2020	2019
Operating Revenues		
Student tuition and fees, net of scholarship discounts and allowances	\$ 4,748,229	\$ 3,801,299
Auxiliary enterprise sales	763,622	731,793
Grants and contracts	12,609,193	12,447,911
Other operating revenues	1,520,769	829,953
Total operating revenues	19,641,813	17,810,956
Non-Operating Revenues		
State appropriations	16,678,000	15,190,468
Federal Pell grant revenue	5,140,668	5,292,221
Federal non-operating revenue	1,852,830	-
Other non-operating revenues	1,057,906	7,484
Total non-operating revenues	24,729,404	20,490,173
Total Revenue	44,371,217	38,301,129
Operating Expenses		
Salaries and benefits	27,737,543	26,318,934
Scholarships, net of discounts	6,645,366	4,056,091
Depreciation	1,476,386	1,503,011
Other operating expenses	6,336,827	7,262,885
Total operating expenses	42,196,122	39,140,921
Non-Operating Expenses		
Building fee remittance	871,081	835,367
Other non-operating expenses	672,382	612,044
Total non-operating expenses	1,543,463	1,447,411
Total Expense	43,739,585	40,588,332
Excess (Deficiency) before Capital Contributions	631,632	(2,287,203)
Capital Appropriations and Contributions	5,236,354	3,051,937
Change in Net Position	5,867,986	764,734
Net Position		
Net position, beginning of year	14,861,641	14,096,907
Net Position, End of the Year	\$ 20,729,627	\$ 14,861,641

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 continued in FY 2019.

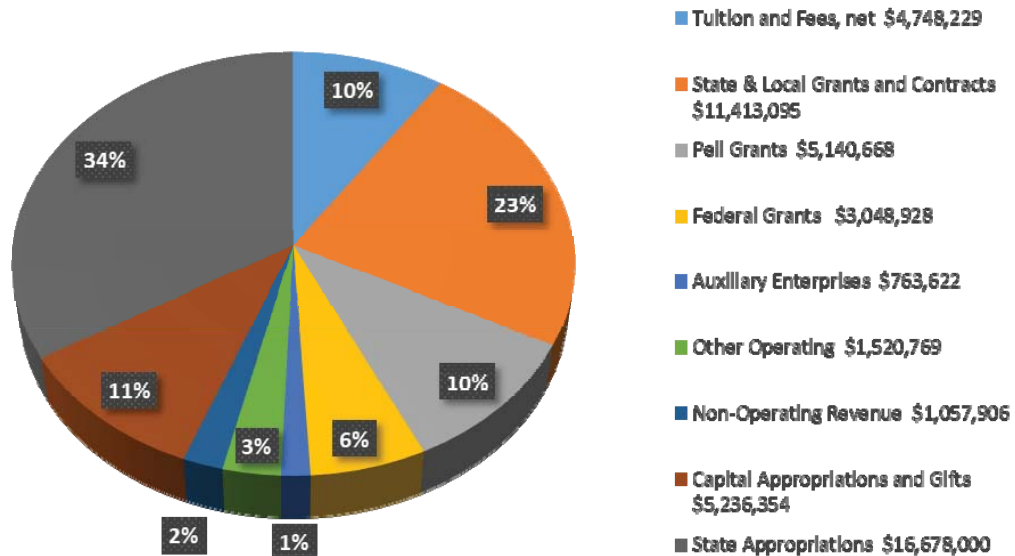
Since enrollments decreased in FY 2020, the College’s decrease in tuition and fee revenue is primarily attributable to the decrease in enrollment in FY 2020. Tuition rates increased, but the tuition increase was not enough to offset the decrease in enrollment.

Pell grant revenues generally follow enrollment trends. As the College’s enrollment softened, so did the College’s Pell Grant revenue. For FY 2020, the College attempted to keep other fees as stable as possible, resulting in only small changes in these revenues. In addition, the College serves some students and offers some programs on a fee-only basis, as allowed by law.

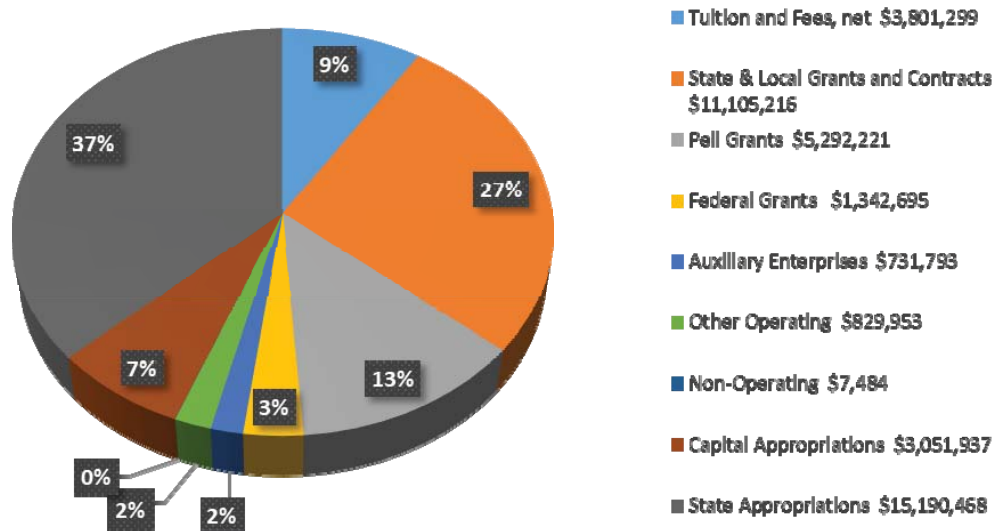
In FY 2020, grant and contract revenues for federal and state increased by \$1,852,830 when compared with FY 2019 due to the CARES Act Funding. The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses. The College also serves contracted international students who are not supported by state dollars.

The College receives capital spending authority on a biennial basis and may carry unexpended amounts forward into one or two future biennia, depending on the original purpose of the funding. In accordance with accounting standards, the amount shown as capital appropriation revenue on the financial statement is the amount expended in the current year. Expenses from capital project funds that do not meet accounting standards for capitalization are reported as operating expenses. Those expenses that meet the capitalization standard are not shown as expense in the current period and are instead recognized as depreciation expense over the expected useful lifetime of the asset.

FY 2020 Selected Elements of Revenue



FY 2019 Selected Elements of Revenue



Expenses

Faced with severe budget cuts over the past ten years, the College has continuously sought opportunities to identify savings and efficiencies.

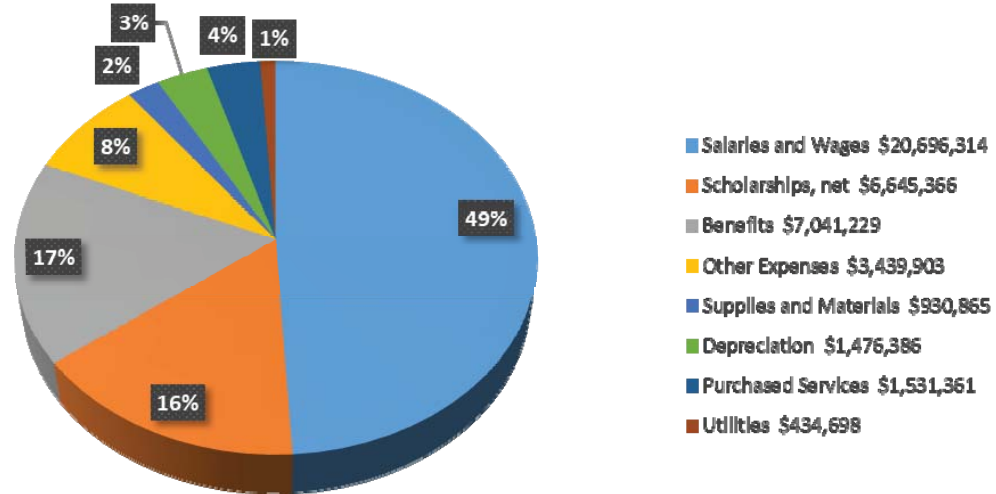
In FY 2020, salary and benefit costs increased as result of the 3% salary increase for all except faculty. Faculty received 3.2% plus 2.5% from local funds.

Benefits increased by \$693,079 mostly as a result of salary increases. Scholarships and fellowships increased by \$2,589,275 as a result of CARES Act Funding. Purchased services decreased by \$841,877 primarily as a result of the expenditures related to the biennium capital allocation expended in the prior year. The supplies expenses decreased by \$541,202 primarily as a result of remote operations.

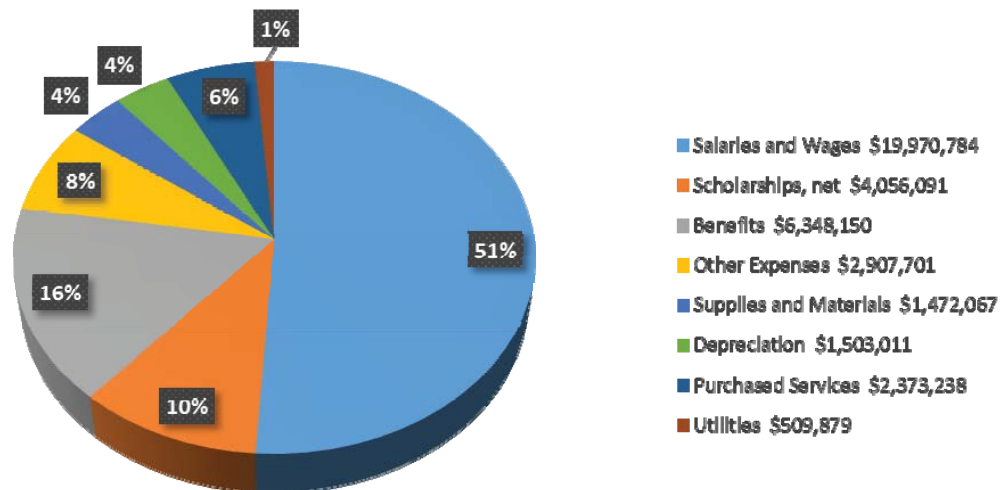
Comparison of Selected Operating Expenses by Function

The chart below shows the amount, in dollars, for selected functional areas of operating expenses for FY 2020 and FY 2019.

FY 2020 Elements of Operating Expense



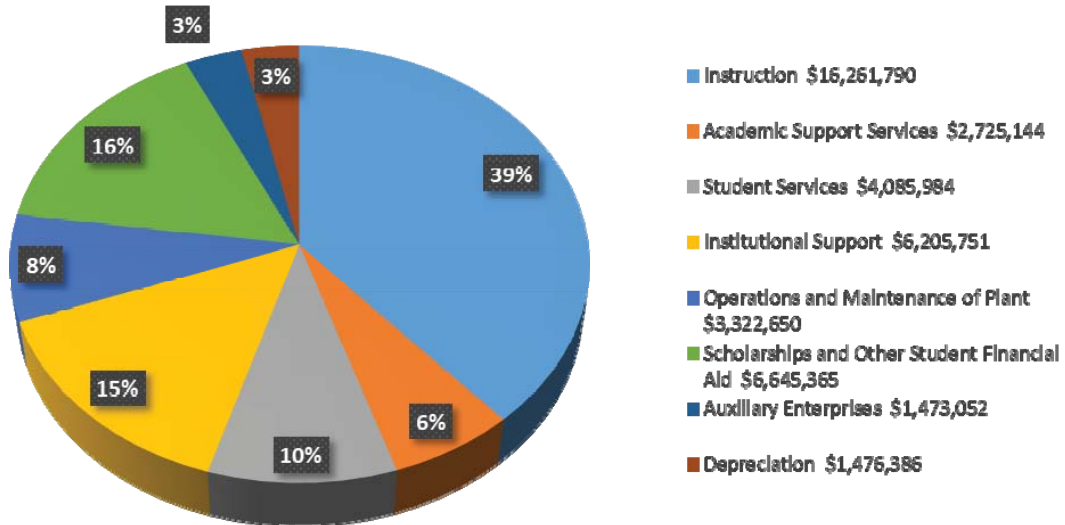
FY 2019 Elements of Operating Expense



Operating Expenses by Function

The chart below shows the percentage of each functional area of operating expenses for FY 2020.

FY 2020 Expenses by Functional Type



Capital Assets

At June 30, 2020, the College had invested \$48,979,519 in capital assets, net of accumulated depreciation. This represents an increase of \$1,999,049 from last year, as shown in the table below.

Asset Type	June 30, 2020	June 30, 2019	Change
Land	\$ 1,372,427	\$ 1,372,427	\$ -
Construction in Progress	4,936,623	1,686,986	3,249,637
Buildings, net	41,329,133	42,530,395	(1,201,262)
Other Improvements and Infrastructure, net	231,130	279,079	(47,949)
Equipment, net	978,254	1,008,473	(30,219)
Library Resources, net	131,952	103,110	28,842
Total Capital Assets, Net	\$ 48,979,519	\$ 46,980,470	\$ 1,999,049

Construction in progress was \$4,936,623 as a result of building the new Wells Hall building during the year. The increase from capital additions was offset by current year depreciation. Additional information on capital assets can be found in Note 6 of the Notes to the Financial Statements.

Long-term Debt

At June 30, 2020, the College had \$12,127,000 in outstanding debt, made up of Certificates of Participation (COP). This represents an increase of \$3,780,000 from last year. The College entered into a Certificate of Participation (COP for the Wells Hall building during FY 2020. The College has no capital leases. Additional information of long term debt and debt service schedules can be found in Notes 11, 12 and 13 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

The College's state operating appropriations increased moderately in FY 2019, primarily from new state revenue sources. Initial revenues tied these new allocations are coming in lower than previously anticipated. The College anticipated this reduction and made adjustments in the event that state revenue continues to decline.

Generally, the national, state, and local economy continue to grow. With that, fewer students are turning to higher education. This phenomenon coupled with a national trend in the traditional college-going aged population will depress enrollments at Wenatchee Valley College for the foreseeable future. In turn, tuition revenue will continue to decline.

In fiscal year 2020 we receive a significant increase in funding as a result of the Workforce Education Investment Act (E2SHB 2158). The bill created a new fund, the Workforce Education Investment Account. Appropriations from the account are supported by an increase in the Business and Occupation tax. These funds were allocated to the colleges as directed in the legislation. Most of these appropriations are budgeted to continue in fiscal year 2021. There were no other significant changes to the method of allocating funds to college districts.

As the College continues to be affected by the results of the COVID-19 pandemic, a decrease in enrollments has been experienced. While historically colleges have seen an increase in enrollments in times of higher unemployment, that has not been the trend the College has experienced at this time. The College continues to look closely at budgets and ways to innovate instruction to attract more students.

Wenatchee Valley College
Statement of Net Position
June 30, 2020

Assets	
Current assets	
Cash and cash equivalents	\$ 3,032,830
Restricted cash	252,919
Accounts receivable	6,506,202
Student loans receivable	6,760
Total current assets	9,798,711
Non-Current Assets	
Restricted cash and cash equivalents	378,260
Non-depreciable capital assets	6,309,050
Capital assets, net of depreciation	42,670,469
Total non-current assets	49,357,779
Total Assets	59,156,490
 Deferred Outflows of Resources	
Deferred outflows related to pensions	2,130,077
Deferred outflows related to OPEB	1,990,167
Total Deferred Outflows of Resources	4,120,244
 Liabilities	
Current Liabilities	
Accounts payable	240,902
Accrued liabilities	2,366,186
Compensated absences	759,693
Unearned revenue	705,367
Certificates of participation payable, current portion	464,000
Total pension liability, current portion	46,636
Total OPEB liability, current portion	241,161
Total current liabilities	4,823,945
Noncurrent Liabilities	
Compensated absences	1,252,106
Certificates of participation payable	11,663,000
Net pension liability	1,827,010
Total pension liability	3,170,394
Total OPEB liability	13,744,823
Total non-current liabilities	31,657,333
Total Liabilities	36,481,278
 Deferred Inflows of Resources	
Deferred inflows related to pensions	1,750,368
Deferred inflows related to OPEB	4,315,461
Total Deferred Inflows of Resources	6,065,829
 Net Position	
Net Investment in Capital Assets	40,632,519
Restricted for:	
Nonexpendable	378,860
Expendable	1,096,991
Unrestricted (deficit)	(21,378,743)
Total Net Position	\$ 20,729,627

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

Wenatchee Valley College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2020

Operating Revenues	
Student tuition and fees, net of scholarship discounts and allowances	\$ 4,748,229
Auxiliary enterprise sales	763,622
State and local grants and contracts	11,413,095
Federal grants and contracts	1,196,098
Other operating revenues	1,520,769
Total operating revenue	<u>19,641,813</u>
Operating Expenses	
Operating Expenses	3,439,903
Salaries and wages	20,696,314
Benefits	7,041,229
Scholarships and fellowships	6,645,366
Supplies and materials	930,865
Depreciation	1,476,386
Purchased services	1,531,361
Utilities	434,698
Total operating expenses	<u>42,196,122</u>
Operating income (loss)	<u>(22,554,309)</u>
Non-Operating Revenues (Expenses)	
State appropriations	16,678,000
Federal Pell grant revenue	5,140,668
Federal non-operating revenue	1,852,830
Investment income, gains and losses	13,173
Other non-operating revenue	1,044,733
Loss on disposal of assets	(4,030)
Building fee remittance	(871,081)
Innovation fund remittance	(204,937)
Interest on indebtedness	(463,415)
Net Non-Operating Revenues (Expenses)	<u>23,185,941</u>
Income or (loss) before capital revenues	<u>631,632</u>
Capital Contributions	
Capital appropriations	4,390,354
Capital grants and gifts	846,000
Total capital revenues	<u>5,236,354</u>
Increase (Decrease) in net position	5,867,986
Net Position	
Net position, beginning of year	14,861,641
Net position, end of year	<u>\$ 20,729,627</u>

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

Wenatchee Valley College
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash flow from operating activities	
Student tuition and fees	\$ 4,552,538
Grants and contracts	12,233,940
Payments to vendors	(6,181,265)
Payments for utilities	(455,345)
Payments to employees	(20,054,150)
Payments for benefits	(6,755,498)
Auxiliary enterprise sales	738,902
Payments for scholarships and fellowships	(7,369,814)
Other receipts	1,520,906
Net cash used by operating activities	<u>(21,769,786)</u>
Cash flow from noncapital financing activities	
State appropriations	16,426,819
Pell grants	5,140,668
Other nonoperating revenue - CARES Act Funding	1,852,830
Building fee remittance	(871,081)
Innovation fund remittance	(204,937)
Other nonoperating revenue	1,044,733
Net cash provided by noncapital financing activities	<u>23,389,032</u>
Cash flow from capital and related financing activities	
Capital appropriations	4,390,354
Capital grants and gifts	846,000
Purchases of capital assets	(3,479,465)
Principal paid on debt	(449,000)
Interest paid	(449,908)
Net cash used by capital and related financing activities	<u>857,981</u>
Cash flow from investing activities	
Income of investments	13,173
Net cash provided by investing activities	<u>13,173</u>
Increase (decrease) in cash and cash equivalents	2,490,400
Cash and cash equivalents at the beginning of the year	<u>1,173,609</u>
Cash and cash equivalents at the end of the year	<u>\$ 3,664,009</u>
Operating Loss	<u>\$ (22,554,309)</u>
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	1,476,386
Changes in assets and liabilities	
Receivables, net	(580,277)
Student loans receivable	(1,034)
Accounts payable	(299,783)
Accrued liabilities	35,824
Unearned revenue	(14,216)
Compensated absences	71,960
Pension liability adjustment expense	(297,221)
OPEB liability adjustment expense	392,884
Net cash used by operating activities	<u>\$ (21,769,786)</u>

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

Wenatchee Valley College Foundation, Inc.
Statement of Financial Position
June 30, 2020

ASSETS

Current Assets

Cash and cash equivalents	\$	936,714
Pledges and other receivables, net		41,257
Other receivables - related party		395
Total current assets		978,366

Non-Current Assets

Pledges and other receivables, long term, net		1,000
Investments at fair value		9,365,801
Total non-current assets		9,366,801

Total Assets	\$	10,345,167
---------------------	-----------	-------------------

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued liabilities	\$	460
Accounts payable and accrued liabilities - related party		112,915
Scholarships and awards payable - related party		432,629
Total current liabilities		546,004

Net Assets

Without donor restrictions		1,141,742
With donor restrictions		8,657,421
Total net assets		9,799,163

Total Liabilities and Net Assets	\$	10,345,167
---	-----------	-------------------

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

Wenatchee Valley College Foundation, Inc.
Statement of Activities
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Public support -			
Gifts, contributions, and other grants	\$ 77,643	\$ 353,085	\$ 430,728
In-kind contributions-related party	222,641	-	222,641
In-kind contributions	35	12,815	12,850
Revenue -			
Investment return, net	7,274	115,574	122,848
Management fees	128,199	-	128,199
Net assets released from restrictions:			
Satisfaction of program restrictions and appropriations of endowments	1,556,158	(1,556,158)	-
Total Public Support and Revenue	1,991,950	(1,074,684)	917,266
EXPENSES			
Program Services -			
Gifts, awards, and allocations - related party	1,149,041	-	1,149,041
Scholarship awarded - related party	340,842	-	340,842
In-kind gifts - related party	42,470	-	42,470
Program services	477,916	-	477,916
Total Program Services	2,010,269	-	2,010,269
Supporting services	145,884	-	145,884
Total Expenses	2,156,153	-	2,156,153
Change in Net Assets	(164,203)	(1,074,684)	(1,238,887)
Net assets - Beginning of Year	1,305,945	9,732,105	11,038,050
Net assets - End of Year	\$ 1,141,742	\$ 8,657,421	\$ 9,799,163

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

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

Wenatchee Valley College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers four-year degrees for nursing, engineering, and teaching; 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.

The Wenatchee Valley College Foundation (the Foundation) and Wenatchee Valley College at Omak Foundation (Omak Foundation) are separate but affiliated non-profit entities, incorporated under Washington law and recognized as a tax exempt 501(c)(3) charitable organizations. The Foundations' charitable purpose is to assist the College in achieving its goals through cultivating friends and garnering financial support. Because the majority of the Foundation's and the Omak Foundation's income and resources are restricted by donors and may only be used for the benefit of the College or its students, they are considered component units based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 14, 39 and 61. A discrete component unit is an entity, which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Wenatchee Valley College 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, 2020, the Foundation distributed approximately \$1,532,353 to the College for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at 509-682-6415. Financial statements from the Omak Foundation may be obtained from Jennifer Short in the College Omak office at 509-682-7835. (The Omak Foundation's financial statements are not material to the College's financial statements and have not been included.)

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Nonexpendable endowment funds held in LGIP are classified as noncurrent assets. The College records all cash, cash equivalents, and investments at fair value. Investments in the state's Local Government Investment Pool (LGIP), a qualified external investment pool, are reported at amortized cost which approximates fair value.

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

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

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.

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

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, 2020, 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 and fall quarter tuition and fees that were paid prior to June 30, 2020, 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 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.

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

The College also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB No. 73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB No. 68 (Accounting and Financial Reporting for Pensions)*. The reporting requirements are similar to GASB No. 68 but use current fiscal yearend 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 earning on OPEB plan investments that are not recognized in OPEB expense should be reported as deferred outflows of resources or deferred inflows of resources related to OPEB. Employer contributions to the OPEB plan subsequent to the measurement date of the collective OPEB liability should be recorded as deferred outflows of resources related to OPEB.

Net Position

The College's net position is classified as follows.

- *Net Investment in Capital Assets*. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

- *Restricted for Nonexpendable.* This consists of endowment and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to the principle.
- *Restricted for 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.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards unrestricted resources and then towards restricted resources.

Classification of Revenues and Expenses

The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues. This includes activities that are directly related to the principal operations of the College such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) federal, state and local grants and contracts that primarily support the operational/educational activities of the College.

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

Non-operating Revenues. This includes activities that are not directly related to the ongoing operations of the College, such as gifts and contributions, state appropriations, investment income and Pell grants received from the federal government. In FY 20, non-operating revenues also included funds received through the federal CARES Act.

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

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, 2020 are \$5,933,815.

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

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.

2. Accounting and Reporting Changes

Accounting Standard Impacting the Future

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective dates of Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The college is following the State's Office of Financial Management directives on these postponements.

In June 2017, the GASB issued Statement No. 87, *Leases*, which was to be in effect beginning FY 2021. GASB 95 postponed the effective date to FY 2022. 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.

3. Deposits and Investments

Deposits

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

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

interest rates. For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Investments in Local Government Investment Pool (LGIP)

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

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASB No. 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

As of June 30, 2020, the carrying amount of the College’s cash and cash equivalents was \$3,664,009 as represented in the table below.

Cash and Cash Equivalents	June 30, 2020
Petty Cash, Change Funds, and Deposits in Transit	\$ 707,191
Bank Demand and Time Deposits	2,545,888
Local Government Investment Pool	410,930
Total Cash and Cash Equivalents	\$ 3,664,009
Unrestricted Cash	\$ 3,032,830
Restricted Cash	\$ 631,179

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

Investments

Investments consist only of LGIP investments which are considered cash and cash equivalents for financial statement reporting purposes.

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

Interest Rate Risk—Investments

The College manages its exposure to fair value losses resulting from changes in interest rates by investing in the LGIP.

Concentration of Credit Risk—Investments

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

Custodial Credit Risk—Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2020, the College did not have any investments other than the LGIP, which is not subject to custodial credit risk.

Investment Expenses

Investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2020 were \$25.

Fair Value Measurement

Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted market prices that are observable for the asset, either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3 – Inputs that are unobservable and significant to the fair market value measurement. These are used only if relevant Level 1 and Level 2 inputs are not available.

At June 30, 2020, the College did not hold any investments other than LGIP, which is not subject to the fair value hierarchy.

The Foundation held investments of \$9,365,801 at their estimated fair value at June 30, 2020. Most investments in marketable and debt securities reported in the statement of financial position

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

are valued at the closing price reported on the active market on which the individual security is traded (Level 1).

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 expenditures made according to sponsored agreements. At June 30, 2020, accounts receivable were as follows.

Accounts Receivable	Amount
Student Tuition and Fees	\$ 981,426
Due from the Federal Government	312,070
Due from Other State Agencies	230,748
Due from Office of State Treasurer (OST)	4,765,945
Unbilled Tuition	240,164
Subtotal	6,530,353
Less Allowance for Uncollectible Accounts	(24,151)
Accounts Receivable, net	\$ 6,506,202

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

5. Loans Receivable

Loans receivable as of June 30, 2020 consisted of student loans, as follows.

Loans Receivable	Amount
Student Loans Receivable	\$ 14,532
Less Allowance for Uncollectible Accounts	(7,772)
Accounts Receivable, net	\$ 6,760

6. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2020 is presented as follows. The current year depreciation expense was \$1,476,386.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Nondepreciable capital assets				
Land	\$ 1,372,427	\$ -	\$ -	\$ 1,372,427
Construction in progress	1,686,986	3,249,637	-	4,936,623
Total nondepreciable capital assets	3,059,413	3,249,637	-	6,309,050
Depreciable capital assets				
Buildings	61,905,231	-	-	61,905,231
Other improvements and infrastructure	479,489	-	-	479,489
Equipment	4,225,347	194,042	(289,861)	4,129,528
Library resources	967,535	35,786	-	1,003,321
Subtotal depreciable capital assets	67,577,602	229,828	(289,861)	67,517,569
Less accumulated depreciation				
Buildings	19,374,836	1,201,262	-	20,576,098
Other improvements and infrastructure	200,410	47,949	-	248,359
Equipment	3,216,874	220,231	(285,831)	3,151,274
Library resources	864,425	6,944	-	871,369
Total accumulated depreciation	23,656,545	1,476,386	(285,831)	24,847,100
Total depreciable capital assets	43,921,057	(1,246,558)	(4,030)	42,670,469
Capital assets, net of accumulated depreciation	\$ 46,980,470	\$ 2,003,079	\$ (4,030)	\$ 48,979,519

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

7. Accounts Payable and Accrued Liabilities

At June 30, 2020, accrued liabilities are the following.

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	\$ 2,248,401
Accounts Payable	240,902
Accrued Interest	46,781
Amounts Held for Others and Retainage	71,004
Total	\$ 2,607,088

8. Unearned Revenue

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

Unearned Revenue	Amount
Summer Quarter Tuition & Fees	\$ 606,363
Housing and Other Deposits	99,004
Total Unearned Revenue	\$ 705,367

9. Risk Management

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

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

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

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The college finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2019 through June 30, 2020, were \$72,738. Cash reserves for unemployment compensation for all employees at June 30, 2020, were \$54,331.

10. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled \$779,028, accrued sick leave totaled \$1,232,771, and comp time totaled \$0 at June 30, 2020.

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.

11. Notes Payable

In November 2011, the College obtained financing in order to build the Music and Art Center through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of \$2,585,000. The interest rate charged is 3.68356%.

In July 2016, the College obtained a COP, issued by the Washington Office of State Treasurer (OST) in the amount of \$2,232,000 with an interest rate of 1.88862% to refinance the 2009 COP which was obtained for the purpose of constructing the student housing building. The refunding COP is to be paid over 12 ½ years.

In February 2017, the College obtained a COP, issued by the Washington Office of State Treasurer in the amount of \$5,365,000 for the construction of a new recreational center. The interest rate on the COP is 3.40712% and is to be paid over 20 years.

Student fees related to the student housing COP are accounted for in a dedicated fund, which is used to pay principal and interest.

In February 2020, the College obtained a COP issued by the Washington Office of State Treasurer (OST) in the amount of \$3,780,000 for the construction of Wells Hall Conference Center. The interest rate on the COP is 2.48881% and is paid over 20 years. The College's debt service requirements for these note agreements for the next five years and thereafter are as follows in Note 12.

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

12. Annual Debt Service Requirements

Future debt service requirements at June 30, 2020 are as follows:

Annual Debt Service Requirements

Fiscal year	Certificates of Participation		
	Principal	Interest	Total
2021	\$ 464,000	\$ 556,688	\$ 1,020,688
2022	609,000	533,967	1,142,967
2023	639,000	506,398	1,145,398
2024	660,000	476,712	1,136,712
2025	695,000	445,187	1,140,187
2026-2030	3,750,000	1,744,544	5,494,544
2031-2035	3,145,000	960,200	4,105,200
2036-2040	2,165,000	237,625	2,402,625
Total	\$ 12,127,000	\$ 5,461,321	\$ 17,588,321

13. Schedule of Long Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Certificates of Participation	\$ 8,796,000	\$ 3,780,000	\$ 449,000	\$ 12,127,000	\$ 464,000
Compensated Absences	1,939,839	752,492	680,532	2,011,799	759,693
Net Pension Liability	2,391,281	-	564,271	1,827,010	-
Total Pension Liability	2,622,051	594,979	-	3,217,030	46,636
OPEB Liability	12,161,792	1,824,192	-	13,985,984	241,161
Total	\$ 27,910,963	\$ 6,951,663	\$ 1,693,803	\$ 33,168,823	\$ 1,511,490

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

14. Retirement Plans

A. General

The College offers three contributory pension plans: the Washington State Public Employees' Retirement System (PERS), the Washington State Teachers' Retirement System (TRS), and the State Board Retirement Plan (SBRP). PERS and TRS are cost sharing multiple-employer defined-benefit pension plans administered by the Washington State Department of Retirement Systems (DRS). The State Board Retirement Plan (SBRP) is a defined contribution single employer pension plan with a supplemental payment when required. The SBRP is administered by the State Board for Community and Technical Colleges (SBCTC) and available to faculty, exempt administrative and professional staff of the state's public community and technical colleges. The College reports its proportionate share of the 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 GASB 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 the College, for fiscal year 2020:

<u>Aggregate Pension Amounts - All Plans</u>	<u>Total</u>
Pension liabilities	\$ (5,044,040)
Deferred outflows of resources related to pensions	\$ 2,130,077
Deferred inflows of resources related to pensions	\$ (1,750,368)
Pension expense	\$ 358,023

Department of Retirement Systems

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

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.

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

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.

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

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

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

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

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

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, 2020 were as follows:

	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rate	12.86%	12.86%	15.51%	15.51%
Actual Contributions	\$ 210,938	\$ 335,012	\$ 33,148	\$ 36,988

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

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

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:

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, 2018, valuation were based on the results of the 2007-2012 Experience Study Report and the 2017 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report.

The Office of the State Actuary (OSA) selected a 7.40 percent long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the WSIB.

The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- 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.

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20%	2.2%
Tangible Assets	7%	5.1%
Real Estate	18%	5.8%
Global Equity	32%	6.3%
Private Equity	23%	9.3%
Total	100%	

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

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

Discount rate

The discount rate used to measure the total pension liability was 7.40 percent, 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.

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

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

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

Pension Plan	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS Plan 1	\$ 1,566,325	\$ 1,250,719	\$ 976,929
PERS Plan 2/3	\$ 3,017,911	\$ 393,490	\$ (1,760,021)
TRS Plan 1	\$ 187,710	\$ 146,862	\$ 111,434
TRS Plan 2/3	\$ 195,876	\$ 35,939	\$ (94,096)

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

Pension Liabilities

At June 30, 2020, the College reported a total pension liability of \$1,827,010 for its proportionate share of the net pension liabilities as follows:

Pension Plan	Liability
PERS 1	\$ 1,250,719
PERS 2/3	393,490
TRS 1	146,862
TRS 2/3	35,939

The College's proportionate share of pension liabilities for fiscal years ending June 30, 2019 and June 30, 2020 for each retirement plan are listed below:

Pension Plan	2018	2019	Change
PERS 1	0.033057%	0.032526%	-0.000531%
PERS 2/3	0.040919%	0.040510%	-0.000409%
TRS 1	0.006411%	0.005932%	-0.000479%
TRS 2/3	0.006459%	0.005965%	-0.000494%

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.

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

Pension Expense

For the year ended June 30, 2020 the College recognized pension expense as follows:

Pension Expense	Total
PERS 1	\$ 32,519
PERS 2/3	82,125
TRS 1	(7,657)
TRS 2/3	30,861
Total	\$ 137,848

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, 2020:

	PERS 1		PERS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ -	\$ -	\$ 112,736	\$ 84,598
Difference between expected and actual earnings of pension plan investments	-	83,560	-	572,761
Changes of assumptions	-	-	10,076	165,095
Changes in College's proportionate share of pension liabilities	-	-	73,210	29,044
Contributions subsequent to the measurement date	210,938	-	335,012	-
	\$ 210,938	\$ 83,560	\$ 531,034	\$ 851,498

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

	TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ -	\$ -	\$ 24,990	\$ 1,156
Difference between expected and actual earnings of pension plan investments	-	11,263	-	31,030
Changes of assumptions	-	-	13,550	9,550
Changes in College's proportionate share of pension liabilities	-	-	28,143	3,654
Contributions subsequent to the measurement date	33,148	-	36,988	-
	\$ 33,148	\$ 11,263	\$ 103,671	\$ 45,390

The \$616,086 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, 2021.

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

Year ended June 30	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2021	\$ (18,446)	\$ (165,469)	\$ (2,312)	\$ 3,833
2022	(43,694)	(281,853)	(6,047)	(7,007)
2023	(15,593)	(118,260)	(2,126)	(21)
2024	(5,827)	(57,664)	(778)	3,175
2025	-	(32,190)	-	5,791
Thereafter	-	(40)	-	15,522
Total	\$ (83,560)	\$ (655,476)	\$ (11,263)	\$ 21,293

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

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

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

Plan Description

The State Board Retirement Plan is a privately administered single-employer defined contribution plans with a supplemental defined benefit plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. The College participates in this plan as authorized by chapter 28B.10 RCW and reports its proportionate share of the 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 SRP (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, 2020 were each \$1,163,321.

Benefits Provided

The State Board Supplemental Retirement Plans 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, 2020, supplemental benefits were paid by the SBCTC on behalf of the system in the amount of \$1,785,000. The College's share of this amount was \$39,150. 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 2020, the College paid into this fund at a rate of 0.5% of covered salaries, totaling \$13,634,826. This amount was not used as a part of GASB 73 calculations since its status as an asset has not been determined by the Legislature. As of June 30, 2019, the Community and Technical College system accounted for \$23,208,875 of the fund balance.

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

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, 2020, 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 3.50 percent to 2.21 percent.

Discount Rate

For purposes of determining the discount rate, the Bond Buyer 20-Bond general obligation index was used. Also reflected was the Fiscal Year 2020 returns for the Teachers Insurance and Annuity Association of America (TIAA) and CREF investments which are used to determine a member's assumed income.

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

Pension Expense

Pension expense for the fiscal year ending June 30, 2020 was \$220,175.

Proportionate Share (%)	2.193294%
Service Cost	\$ 77,126
Interest Cost	86,757
Amortization of Differences Between Expected and Actual Experience	(55,481)
Amortization of Changes of Assumptions	81,164
Changes of Benefit Terms	-
Administrative Expenses	-
Other Changes in Fiduciary Net Position	-
Proportionate Share of Collective Pension Expense	189,566
Amortization of the Change in Proportionate Share of TPL	30,609
Total Pension Expense	\$ 220,175

Proportionate Shares of Pension Liabilities

The College's proportionate share of pension liabilities for fiscal year ending June 30, 2020 was 2.19%. 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:

Proportionate Share (%) 2019	2.38%
Proportionate Share (%) 2020	2.19%
Total Pension Liability - Ending 2019	\$ 2,622,051
Total Pension Liability - Beginning 2020	2,421,070
Total Pension Liability - Change in Proportion	(200,981)
Total Deferred Inflow/Outflows - 2019	313,460
Total Deferred Inflow/Outflows - 2020	289,432
Total Deferred Inflows/Outflows - Change in Proportion	(24,028)
Total Change in Proportion	\$ (225,009)

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

Plan Membership

Membership of the State Board Supplemental Retirement Plans consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Plan	Number of Participating Members			
	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
State Board for Community and Technical Colleges (SBCTC) - SBRP	9	10	106	125

Change in Total Pension Liability/ (Asset)

The following table presents the change in total pension liability of the State Board Supplemental Retirement Plan at June 30, 2020:

Change in Total Pension Liability/(Asset)	
Total Pension Liability	Amount
Service Cost	\$ 77,126
Interest	86,757
Changes of benefit terms	-
Differences between expected and actual experience	182,800
Changes of assumptions	488,435
Benefit payments	(39,158)
Changes in proportionate share of TPL	(200,981)
Other	-
Net Change In Total Pension Liability	<u>594,979</u>
Total Pension Liability - Beginning	<u>2,622,051</u>
Total Pension Liability - Ending	<u>\$ 3,217,030</u>

Sensitivity of the Total Pension Liability/ (Asset) 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:

1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
\$ 3,699,304	\$ 3,217,030	\$ 2,819,681

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2020, the State Board Supplemental Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 259,995	\$ 405,818
Changes of Assumptions	612,302	110,362
Changes in College's proportionate share of pension liability	378,989	242,477
Transactions subsequent to the measurement date	-	-
	\$ 1,251,286	\$ 758,657

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

State Board Supplemental Retirement Plan		
2021	\$	25,683
2022		25,683
2023		25,683
2024		61,829
2025		116,069
Thereafter		101,170
Total	\$	356,117

15. Other Post-Employment Benefits

Plan Description

In addition to pension benefits as described in Note 14, 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.

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

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:

Summary of Plan Participants	
As of June 30, 2019	
Active Employees*	288
Retirees Receiving Benefits**	84
Retirees Not Receiving Benefits***	14
Total Active Employees and Retirees	386
<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 that 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.

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

Benefits Provided

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state’s non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. 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 \$367 per adult unit per month. In calendar year 2020, the average weighted implicit subsidy is projected to be \$373 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 2019 the explicit subsidy was \$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):

Required Premium*	
Medical	\$ 1,100
Dental	81
Life	4
Long-term Disability	2
Total	1,187
Employer contribution	1,024
Employee contribution	162
Total	\$ 1,186
*Per 2020 PEBB Financial Projection Model 3.3. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2020 which includes projected claims cost at the time of this reporting.	

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

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

<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 \$5.804 billion. The College's proportionate share of the total OPEB liability is \$13,985,984. This liability was determined based on a measurement date of June 30, 2019.

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:

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

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

Actuarial Methodology

The total OPEB liability was determined using the following methodologies:

Actuarial Valuation Date	6/30/2018
Actuarial Measurement Date	6/30/2019
Actuarial Cost Method	Entry Age
Amortization Method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset Valuation Method	N/A - No Assets

Discount Rate

Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.87 percent for the June 30, 2018 measurement date and 3.5 percent for the June 30, 2019 measurement date.

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

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

Changes in Total OPEB Liability

As of June 30, 2020, 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:

Wenatchee Valley College	
Proportionate Share (%)	0.2409773146%
Service Cost	\$ 566,301
Interest Cost	491,233
Differences Between Expected and Actual Experience	-
Changes in Assumptions*	914,806
Changes of Benefit Terms	-
Benefit Payments	(224,710)
Changes in Proportionate Share	76,562
Other	-
Net Change in Total OPEB Liability	1,824,192
Total OPEB Liability - Beginning	12,161,792
Total OPEB Liability - Ending	\$ 13,985,984
*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 3.5 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 (2.5 percent) or 1 percentage point higher (4.5 percent) than the current rate:

Discount Rate Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
\$ 16,936,559	\$ 13,985,984	\$ 11,694,262

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 3.50 percent) or 1 percentage point higher (9.0 percent decreasing to 5.50 percent) than the current rate:

Health Care Cost Trend Rate Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
\$ 11,319,530	\$ 13,985,984	\$ 17,574,626

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

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

For the year ending June 30, 2020, the College will recognize OPEB expense of \$634,046. OPEB expense consists of the following elements:

Wenatchee Valley College	
Proportionate Share (%)	0.2409773146%
Service Cost	\$ 566,301
Interest Cost	491,233
Amortization of Differences Between Expected and Actual Experience	53,353
Amortization of Changes in Assumptions	(512,179)
Changes of Benefit Terms	-
Amortization of Changes in Proportionate Share	35,338
Administrative Expenses	-
Total OPEB Expense	634,046

As of June 30, 2020, the deferred inflows and deferred outflows of resources for the College are as follows:

Wenatchee Valley College		
Proportionate Share (%)	0.2409773146%	
Deferred Inflows/Outflows of Resources	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 373,470	\$ -
Changes in assumptions	813,161	4,055,139
Transactions subsequent to the measurement date	241,162	-
Changes in proportion	562,374	260,322
Total Deferred Inflows/Outflows	\$ 1,990,167	\$ 4,315,461

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

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, 2021. 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:

Wenatchee Valley College		
Proportionate Share (%)	0.2409773146%	
2021	\$	(423,488)
2022		(423,488)
2023		(423,488)
2024		(423,488)
2025		(423,488)
Thereafter		(449,016)
Total	\$	(2,566,456)

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

Proportionate Share (%) 2018	0.2394697800%
Proportionate Share (%) 2019	0.2409773146%
Total OPEB Liability - Ending 2018	\$ 12,161,792
Total OPEB Liability - Beginning 2019	12,238,354
Total OPEB Liability Change in Proportion	76,562
Total Deferred Inflows/Outflows - 2018	(3,992,297)
Total Deferred Inflows/Outflows - 2019	(4,017,430)
Total Deferred Inflows/Outflows Change in Proportion	(25,133)
Total Change in Proportion	\$ 101,695

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

16. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Assets, 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, 2020:

Expenses by Functional Classification	Amount
Instruction	\$ 16,261,790
Academic Support Services	2,725,144
Student Services	4,085,984
Institutional Support	6,205,751
Operations and Maintenance of Plant	3,322,650
Scholarships and Other Student Financial Aid	6,645,365
Auxiliary Enterprises	1,473,052
Depreciation	1,476,386
Total Operation Expenses	\$42,196,122

17. Commitments and Contingencies

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

The College has commitments through the state capital budget of \$34,867,080 for various capital improvement projects that include construction, repair, and renovation of existing buildings.

In the state biennium 2019-2021, the College's Wells Hall Replacement project was approved with a capital construction appropriation of \$29,405,025 and a current allocation of \$25,753,778. In addition, the College has a \$5,000,000 local commitment backed by \$4,500,000 Certificate of Participation (COP).

18. Subsequent Events

The College added a four-year degree for teaching as well as a Pharmacy Technician program.

The COVID pandemic resulted in campus closure, moving all classes online with the exception of some nursing classes and labs. Enrollment numbers continued to decrease but now at an accelerated pace. Federal CARES act funds provided \$1,233,433 for additional institutional support and another \$1,233,433 for student support. At the close of FY 20 the college had drawn \$712,143.45 of the institutional support funds that were used for expenses related to transitioning from on campus instruction to on line instruction; computer hardware and software purchases;

Wenatchee Valley College
Notes to the Financial Statements
For the Year Ended June 30, 2020

refunds for lost revenue resulting from refunds to students for services no longer available; disinfecting costs and activities; and other related activities required to address the pandemic. There was \$1,140,687 of student support funds expended through FY 20. These funds were distributed directly to registered students. The remaining CARES funds are obligated and anticipated to be exhausted by the close of the 2021 academic year.

CARES funds distributed to the state for the Governor's Emergency Education Relief (GEER) resulted in the college receiving an allocation for \$619,785 on September 16, 2020. These funds are intended to address budget deficits resulting from decreases in enrollments due to the COVID pandemic. This allocation must be expended by September 30, 2022.

Capital construction of the Wells Hall replacement project is currently underway and remains on schedule and on budget with an anticipated opening for fall quarter 2021

Required Supplementary Information
Pension Plan Information

Cost Sharing Employer Plans

Schedules of Wenatchee Valley College's Proportionate Share of the Net Pension Liability

Schedule of Wenatchee Valley College's Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 1 Measurement Date of June 30						
Fiscal Year	College's proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability	
2014	0.032466%	\$ 1,635,490	\$ 3,512,222	46.57%	61.19%	
2015	0.031778%	\$ 1,662,285	\$ 3,565,591	46.62%	59.10%	
2016	0.031176%	\$ 1,674,298	\$ 3,657,689	45.77%	57.03%	
2017	0.033480%	\$ 1,582,366	\$ 4,124,550	38.36%	61.24%	
2018	0.033057%	\$ 1,476,314	\$ 4,468,781	33.04%	63.22%	
2019	0.032526%	\$ 1,250,719	\$ 4,306,020	29.05%	67.12%	
2020						
2021						
2022						
2023						

Schedule of Wenatchee Valley 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's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability	
2014	0.040358%	\$ 815,781	\$ 3,456,838	23.60%	93.29%	
2015	0.039493%	\$ 1,411,107	\$ 3,509,591	40.21%	89.20%	
2016	0.038525%	\$ 1,939,703	\$ 3,600,079	53.88%	85.82%	
2017	0.041439%	\$ 1,439,814	\$ 4,062,730	35.44%	90.97%	
2018	0.040919%	\$ 698,655	\$ 4,403,737	15.87%	95.77%	
2019	0.040510%	\$ 393,490	\$ 4,239,430	9.28%	97.77%	
2020						
2021						
2022						
2023						

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

Cost Sharing Employer Plans

Schedules of Wenatchee Valley College's Proportionate Share of the Net Pension Liability

Schedule of Wenatchee Valley College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 1 Measurement Date of June 30						
Fiscal Year	College's proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability	
2014	0.004815%	\$ 142,016	\$ 101,599	139.78%	68.77%	
2015	0.004517%	\$ 143,105	\$ 135,775	105.40%	65.70%	
2016	0.003941%	\$ 134,554	\$ 196,206	68.58%	62.07%	
2017	0.005561%	\$ 168,124	\$ 311,020	54.06%	65.58%	
2018	0.006411%	\$ 187,239	\$ 399,336	46.89%	66.52%	
2019	0.005932%	\$ 146,862	\$ 457,999	32.07%	70.37%	
2020						
2021						
2022						
2023						

Schedule of Wenatchee Valley 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's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability	
2014	0.000144%	\$ 465	\$ 7,802	5.96%	96.81%	
2015	0.001413%	\$ 11,923	\$ 65,531	18.19%	92.48%	
2016	0.003879%	\$ 53,270	\$ 192,054	27.74%	88.72%	
2017	0.005650%	\$ 52,146	\$ 309,760	16.83%	93.14%	
2018	0.006459%	\$ 29,073	\$ 398,216	7.30%	96.88%	
2019	0.005965%	\$ 35,939	\$ 456,823	7.87%	96.36%	
2020						
2021						
2022						
2023						

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

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions						
Public Employees' Retirement System (PERS) Plan 1						
Fiscal Year Ended June 30						
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	College's covered payroll	Contributions as a percentage of covered— employee payroll	
2014	\$ 143,803	\$ 143,803	\$ -	\$ 3,512,222	4.09%	
2015	\$ 146,152	\$ 146,152	\$ -	\$ 3,565,591	4.10%	
2016	\$ 176,946	\$ 176,946	\$ -	\$ 3,657,689	4.84%	
2017	\$ 200,705	\$ 200,705	\$ -	\$ 4,124,550	4.87%	
2018	\$ 221,930	\$ 221,930	\$ -	\$ 4,315,952	5.14%	
2019	\$ 233,341	\$ 233,341	\$ -	\$ 4,468,781	5.22%	
2020	\$ 210,938	\$ 210,938	\$ -	\$ 4,306,020	4.90%	
2021						
2022						
2023						

Schedule of Contributions						
Public Employees' Retirement System (PERS) Plan 2/3						
Fiscal Year Ended June 30						
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	College's covered payroll	Contributions as a percentage of covered— employee payroll	
2014	\$ 176,577	\$ 176,577	\$ -	\$ 3,456,838	5.11%	
2015	\$ 182,239	\$ 182,239	\$ -	\$ 3,509,591	5.19%	
2016	\$ 228,937	\$ 228,937	\$ -	\$ 3,600,079	6.36%	
2017	\$ 260,419	\$ 260,419	\$ -	\$ 4,062,730	6.41%	
2018	\$ 326,129	\$ 326,129	\$ -	\$ 4,252,712	7.67%	
2019	\$ 338,786	\$ 338,786	\$ -	\$ 4,403,737	7.69%	
2020	\$ 335,012	\$ 335,012	\$ -	\$ 4,239,430	7.90%	
2021						
2022						
2023						

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

Pension Plan Information

Cost Sharing Employer Plans Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30						
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	College's covered payroll	Contributions as a percentage of covered— employee payroll	
2014	\$ 9,687	\$ 9,687	\$ -	\$ 101,599	9.53%	
2015	\$ 10,234	\$ 10,234	\$ -	\$ 135,775	7.54%	
2016	\$ 11,984	\$ 11,984	\$ -	\$ 196,206	6.11%	
2017	\$ 19,463	\$ 19,463	\$ -	\$ 311,020	6.26%	
2018	\$ 28,045	\$ 28,045	\$ -	\$ 392,702	7.14%	
2019	\$ 29,464	\$ 29,464	\$ -	\$ 399,336	7.38%	
2020	\$ 33,147	\$ 33,147	\$ -	\$ 457,999	7.24%	
2021						
2022						
2023						

Schedule of Contributions Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30						
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	College's covered payroll	Contributions as a percentage of covered— employee payroll	
2014	\$ 364	\$ 364	\$ -	\$ 7,802	4.67%	
2015	\$ 3,873	\$ 3,873	\$ -	\$ 65,531	5.91%	
2016	\$ 13,006	\$ 13,006	\$ -	\$ 192,054	6.77%	
2017	\$ 21,374	\$ 21,374	\$ -	\$ 309,760	6.90%	
2018	\$ 30,955	\$ 30,955	\$ -	\$ 391,078	7.92%	
2019	\$ 31,897	\$ 31,897	\$ -	\$ 398,216	8.01%	
2020	\$ 36,988	\$ 36,988	\$ -	\$ 456,823	8.10%	
2021						
2022						
2023						

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

State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Total Pension Liability and Related Ratios				
Wenatchee Valley College				
Fiscal Year Ended June 30, 2020				
	2017	2018	2019	2020
Total Pension Liability				
Service cost	\$ 108,944	\$ 74,671	\$ 67,732	\$ 77,126
Interest	70,672	68,622	81,929	86,757
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(509,545)	(202,960)	154,465	182,800
Changes of assumptions	(120,267)	(68,661)	290,438	488,436
Benefit payments	(18,141)	(25,365)	(43,193)	(39,158)
Change in proportionate share of TPL	-	(57,022)	369,796	(200,982)
Net Change in Total Pension Liability	(468,337)	(210,715)	921,167	594,979
Total Pension Liability - Beginning	2,379,936	1,911,599	1,700,884	2,622,051
Total Pension Liability - Ending	\$ 1,911,599	\$ 1,700,884	\$ 2,622,051	\$ 3,217,030
College's Proportion of the Pension Liability	2.011151%	1.951159%	2.375368%	2.193294%
College's Covered payroll	\$ 18,486,254	\$ 19,137,316	\$ 12,889,433	\$ 13,269,652
Total Pension Liability as a percentage of covered-employee payroll	10.340651%	8.887788%	20.342640%	24.243514%

Notes: These schedules will be built prospectively until they contain 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 the Total OPEB Liability and Related Ratios			
Wenatchee Valley College			
Fiscal Year Ended June 30, 2020			
	2018	2019	2020
Total OPEB Liability			
Service cost	\$ 909,128	\$ 760,374	\$ 566,301
Interest cost	425,841	522,753	491,233
Difference between expected and actual experience	-	477,172	-
Changes in assumptions	(2,077,260)	(3,328,806)	914,806
Changes in benefit terms	-	-	-
Benefit payments	(217,015)	(220,786)	(224,710)
Changes in proportionate share	(396,471)	540,913	76,562
Other	-	-	-
Net Change in Total OPEB Liability	(1,355,777)	(1,248,380)	1,824,192
Total OPEB Liability - Beginning	14,765,949	13,410,172	12,161,792
Total OPEB Liability - Ending	\$ 13,410,172	\$ 12,161,792	\$ 13,985,984
College's Proportion of the OPEB Liability	0.230185%	0.239470%	0.240977%
College's Covered payroll	\$ 16,695,807	\$ 17,732,922	\$ 18,696,141
Total OPEB Liability as a percentage of covered-employee payroll	80.320598%	68.583125%	74.806796%

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

Notes to Required Supplementary Information

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

Stay connected at sao.wa.gov

- [Find your audit team](#)
- [Request public records](#)
- Search BARS manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov