Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Peninsula College

For the period July 1, 2019 through June 30, 2021

Published March 28, 2022

Report No. 1030168

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Office of the Washington State Auditor
Pat McCarthy

March 28, 2022

Board of Trustees
Peninsula College
Port Angeles, Washington

Report on Financial Statements

Please find attached our report on the Peninsula 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

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Peninsula College
July 1, 2019 through June 30, 2021

Board of Trustees
Peninsula College
Port Angeles, 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 Peninsula College, as of and for the years ended June 30, 2021 and 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 March 21, 2022.

Our report includes a reference to other auditors who audited the financial statements of the Peninsula College 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 separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Foundation were not audited in accordance with *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 Foundation's prior year comparative information has been derived from the Foundation's 2019 basic financial statements, on which other auditors issued their report dated September 18, 2019.

The financial statements of Peninsula 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, 2021 and 2020, the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the 2021 financial statements, legislation created a trust arrangement for assets dedicated to paying the Higher Education Supplemental Retirement Plan benefits to plan members. As a result, during the year ended June 30, 2021, the College transitioned to accounting for the plan in accordance with Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits 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.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

March 21, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Peninsula College
July 1, 2019 through June 30, 2021

Board of Trustees
Peninsula College
Port Angeles, 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 Peninsula College, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed on page 11.

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 audits. We did not audit the financial statements of the Peninsula College 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 reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Foundation, are based solely on the reports of the other auditors. We conducted our audits 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 reports 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 Peninsula College, as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of Peninsula 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, 2021 and 2020, the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the 2021 financial statements, legislation created a trust arrangement for assets dedicated to paying the Higher Education Supplemental Retirement Plan benefits to plan members. As a result, during the year ended June 30, 2021, the College transitioned to accounting for the plan in accordance with Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information for the Foundation. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended 2019, from which such partial information was derived. Other auditors have previously audited the Foundation's 2019 basic financial statements and they expressed an unmodified opinion in their report dated September 18, 2019.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2022 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

March 21, 2022

FINANCIAL SECTION

Peninsula College
July 1, 2019 through June 30, 2021

REQUIRED SUPPLEMENTARY INFORMATION

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Management's Discussion and Analysis – 2020

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Statement of Revenues, Expenses and Changes in Net Position – 2020
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REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Changes in Total OPEB Liability and Related Ratios – 2021

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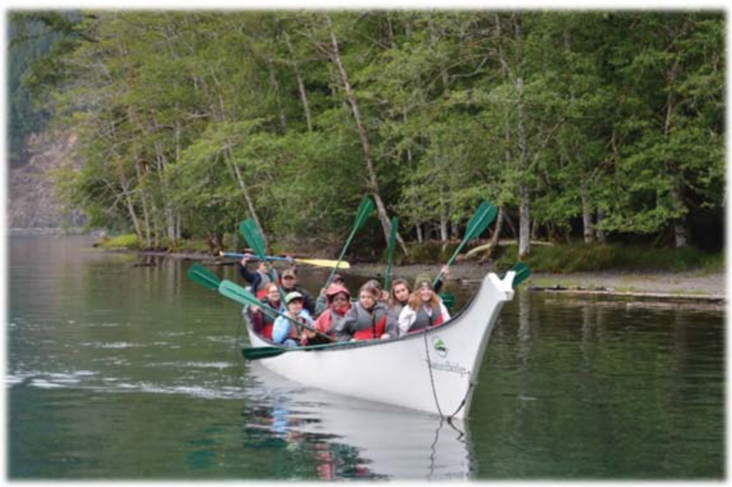
Management's Discussion and Analysis

Peninsula College

The following discussion and analysis provides an overview of the financial position and activities of Peninsula College (the College) for the fiscal year ended June 30, 2021 (FY 2021). This overview provides readers with an 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

Peninsula 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 education for adults and community service educational programs. Established in 1961, Peninsula College's mission is to provide education opportunities in the areas of academic transfer, professional/technical, adult basic education and continuing education. The College also contributes to the cultural and economic enrichment of Clallam and Jefferson Counties. The College confers an applied baccalaureate degree, associates degrees, certificates and high school diplomas. The College is governed by a five member Board of Trustees appointed by the governor with the consent of the Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

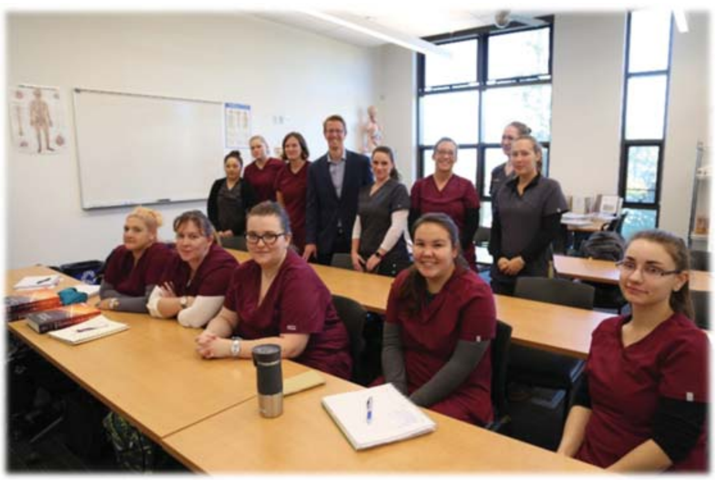


The College's service district comprises roughly 100,000 people, including several Native American tribes. 2,849 individuals were served in academic year 2020-2021. The College's main campus is located in Port Angeles, Washington, a community of 20,020 residents. The College has campuses in Forks and Port Townsend and offers services at many locations across the district.

Using the Financial Statements

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, 2021. The Statement of Revenues, 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 of resources, liabilities, deferred inflows of resources, and net position at year-end.

The overall financial position of the college increased during the fiscal year primarily as a result of operational savings, decreased in pension liability, partially offset by decreased student enrollment and capital asset depreciation. A condensed comparison of the Statement of Net Position is as follows:

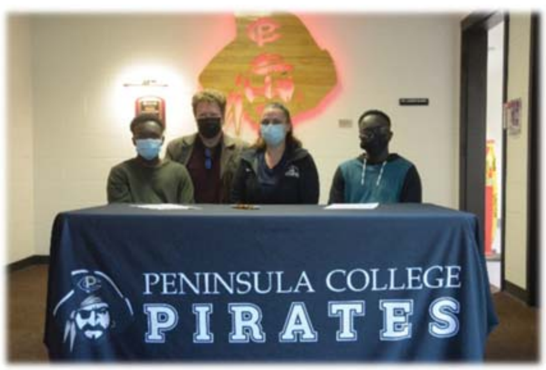
Management Discussion and Analysis (continued)

Condensed Statement of Net Position As of June 30th	**FY 2021**	**FY 2020**
Assets		
Current Assets	13,690,197	9,845,526
Non-current Assets	5,193,077	5,100,652
Capital Assets, net	82,303,423	84,467,067
Total Assets	**$ 101,186,698**	**$ 99,413,245**
Total Deferred Outflows of Resources	**$ 2,345,194**	**$ 2,341,966**
Liabilities		
Current Liabilities	2,399,583	2,371,498
Non-current Liabilities	14,404,788	16,347,019
Total Liabilities	**$ 16,804,371**	**$ 18,718,517**
Total Deferred Inflows of Resources	**$ 5,176,395**	**$ 4,425,870**
Net Position	**$ 81,551,126**	**$ 78,610,825**

Note: Figures may not total due to rounding.

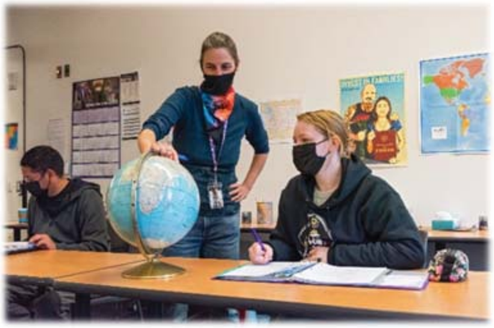
Current assets consist primarily of cash, investments, various accounts receivables and inventories. The increase in current assets in FY 2021 can be attributed to an increase in cash and receivables at year end related to the receipt of lost tuition revenue as well as an increase in State Treasurer receivable at year-end.

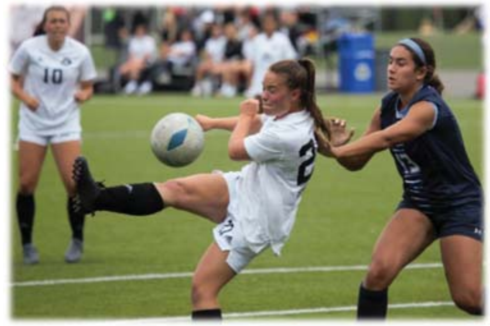
Net capital assets decreased by $2,163,644 from FY 2020 to FY 2021. Current depreciation expense of $2,484,357 was offset by an increase relating to ongoing acquisitions of capitalizable buildings, equipment and library resources.



Non-current assets consist of the long-term portion of a note receivable related to leasehold improvements made to preserve and rehabilitate Building 202 at Fort Worden State Park in Jefferson County, Washington. Due to the historic nature of the building, Federal Historic Tax Credits were generated allowing the pass through of these credits to an equity investor, while in turn, affording the project additional capital.

Deferred outflows of resources represent deferrals in pension and postemployment benefits associated with the implementation of GASB Statement No. 68 in FY 2015 and Statement No. 75 in FY 2018. The slight decrease in deferred outflows reflects the





College's proportionate share of a decrease in the state-wide amounts reported by the Department of Retirement Systems (DRS) and Health Care Authority (HCA) as well as the difference between expected and actual experience in the factors actuaries used to determine the cost of funding the plans. The College recorded $2,341,966 in FY 2020 and $2,345,194 in FY 2021 of pension and postemployment-related deferred outflows.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of Certificate of Participation (COP) debt, deposits held for others and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements. Current liabilities for the most part remained unchanged from FY 2020 to FY 2021.

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 COP debt, the other postemployment benefit liability and the net pension liability. The College's non-current liabilities were reduced reflecting its proportionate share of the statewide decrease in OPEB. A decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index discount rate and updated health care economic assumptions, which includes health care trends, were the changes in assumptions that led to this decrease.

Deferred inflows of resources related to pensions and postemployment benefits increased from $4,425,870 in FY 2020 to $5,176,395 in FY 2021 primarily due to changes in assumptions used by actuaries in evaluating the cost of funding the OBEB.

Net position represents the value of the College's assets and deferred outflows after liabilities and deferred inflows are deducted. The College reports its net position in three 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 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 for student aid.

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

Net Position As of June 30th	**FY 2021**	**FY 2020**
Net investment in capital assets	80,463,423	82,467,970
Restricted Expendable	588,064	649,190
Unrestricted	499,638	(4,506,335)
Total Net Position	**81,551,125**	**78,610,825**

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 2021. The objective of the statement is to present the revenues received, both operating and non-operating, and the expenses paid 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, grants, and contracts are included in this category. In contrast, non-operating revenues include monies the College receives from another government entity 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 operating 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, Expenses and Changes in Net Position for the years ended June 30, 2021 and 2020 is presented below.

As of June 30th	FY 2021	FY 2020
Operating Revenues		
State and local grants and contracts	7,936,413	7,738,069
Student tuition and fees, net	3,099,804	3,953,507
Auxiliary enterprise sales, net	544,390	905,784
Federal grants and contracts	2,938,818	1,478,972
Other operating revenues	192,914	46,947
Total Operating Revenues	14,712,339	14,123,279
Non-Operating Revenues		
State Appropriations	13,628,100	12,978,771
Federal Pell grant revenue	2,079,385	2,980,455
Other non-operating income	229,167	-
Interest Income	129,914	181,291
Total Non-Operating Revenues	16,066,566	16,140,517
Total Revenues	**30,778,904**	**30,263,797**
Operating Expenses by functional classification		
Instruction	8,982,217	9,562,777
Academic Support Services	2,475,805	2,403,861
Student Services	4,314,406	4,252,597
Institutional Support	3,873,771	4,763,310
Operation and Maintenance of Plant	1,992,929	1,971,727
Scholarships and other student financial aid	2,910,766	4,142,992
Auxiliary enterprises	1,050,417	1,429,069
Depreciation	2,484,357	2,580,205
Total Operating Expenses	28,084,667	31,106,537
Non-Operating Expenses	564,337	654,211
Total Expenses	**28,649,004**	**31,760,748**
Income (Loss) Before Capital Appropriations	**2,129,900**	**(1,496,951)**
Capital Appropriations	789,077	499,360
Capital Contributions	21,324	107,006
Increase in Net Position	**2,940,301**	**(890,585)**
Net Position, Beginning of the Year	78,610,825	79,501,410
Net Position, End of the Year	**81,551,125**	**78,610,825**

Note: Figures may not total due to rounding.

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 2017, the SBCTC moved forward with a new allocation model, allocating funds to each of the 34 Colleges based on a 3-year average of actual full time equivalent (FTE) student enrollment. In FY 2021, the model resulted in a decrease but was offset with an increase for compensation and benefit rate changes resulting in a modest increase to FY 2021's state allocation.

Management Discussion and Analysis (continued)

The decrease in tuition and fee revenue is primarily attributable to reduced enrollment countered with a 2.5% resident tuition increase enacted by the Legislature. Pell Grant revenue decreased by $901,070 due to less students taking advantage of this federal grant and also as a result of the decline in enrollment due to COVID.

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. In addition, the College serves some students and offers some programs on a fee-only basis, as allowed by law, and provides educational services to local correctional facilities under contract to the state Department of Corrections. Grant funds include federal grants serving adults in basic education programs, technical programs and Upward Bound. The College also was awarded the College Spark grant, amounting to $500,000 in funding over a five year period, to design programs and formulate policy in order to provide students with more clarity on how to navigate the path to a desired degree.

A $2.2 million federal Department of Education grant was awarded to Peninsula College in FY 2019, which will enhance student success and academic quality. The goal of the Strengthening Institutions Program is to help institutions of higher education across the nation by providing funds to improve and strengthen the academic quality, institutional management, and fiscal stability of eligible institutions. Peninsula College's goals for the grant are improving student engagement and support, building a culture of equity and inclusion and achieving excellence in teaching and learning. The grant period began October 1, 2018, and the college will receive roughly $445K per year for five years for a total of $2,227,618. Each year, $85,000 from the grant, along with a dollar for dollar match from the Peninsula College Foundation, goes toward building an unrestricted endowment to support expansion of student success programs.

In FY20, the College received federal CARES Act Awards totaling $1.16 million. The student emergency assistance portion of federal CARES Act funds, $580,220, have been distributed directly to students as emergency financial aid grants as required under the federal program. The institutional assistance portion, totaling $580,219, will be used to cover the costs associated with moving to online learning, as well as costs of supporting our students during the time. Additionally, in January and May of 2021, the College was awarded more CARES grant funding. The new awards include an additional $2.7 million for student emergency assistance, and an additional $3.6 million for institutional support to offset revenue loss and costs incurred that are associated with the impacts of COVID.

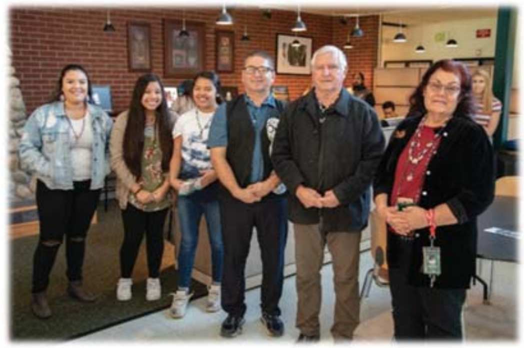
The College receives capital spending authority on a biennial basis and may carry unexpended amounts forward into one or two future biennia, depending on the original purpose of the funding. In accordance with accounting standards, the amount shown as capital appropriation revenue on the financial statement is the amount expended in the current year. Expenditures from capital project funds that do not meet accounting standards for capitalization are reported under 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.

Expenses

In FY 2021, the salaries, wages and benefit costs decrease is attributed to a combination of salary and benefit increases appropriated by the Legislature, offset by a reduction in leave buyout, vacant positions not filled and pension expense. Certain capital project costs do not meet accounting criteria for capitalization as part of the cost of the building and are instead recognized as supplies and materials, purchased services or non-capitalized furniture and equipment. Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing an increase in any year when a new building is placed in service.

Capital Assets and Long-Term Debt Activities

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



At June 30, 2021, the College had invested $82,303,423 in capital assets, net of accumulated depreciation. This represents a decrease of $2,163,644from last year, as shown in the table below.

Asset Type	June 30, 2021	June 30, 2020	Change
Land	371,368	371,368	-
Buildings, net	81,118,898	82,990,385	(1,871,487)
Other Improvements and Infrastructure, net	56,431	219,010	(162,580)
Equipment, net	675,692	764,129	(88,437)
Library Resources, net	81,034	122,174	(41,140)
Total Capital Assets, net	**82,303,423**	**84,467,067**	**(2,163,644)**

Note: Figures may not total due to rounding.

The decrease in capital assets is attributable that sale of the Lincoln Center building space as well as depreciation coupled with normal replacement and acquisition and/or removal of equipment and library resources. Additional information on capital assets can be found in Note 5 of the Notes to the Financial Statements.

At June 30, 2021 the College had $1,840,000 in outstanding debt comprised entirely of Certificates of Participation. Additional information concerning notes payable, long term debt and debt service schedules can be found in Notes 11 and 12 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

In FY 2017, the State Board for Community and Technical College's elected to move to a new allocation model, changing how the state allocated and distributed funds to each college. The new model is based on performance in several key indicators, from general enrollments to enrollments in high cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state. While enrollments have decreased system-wide for the community and technical colleges, there have not been across the board adjustments to the funding levels based on this new allocation method yet. However, if other colleges see their numbers grow, the

College's operating appropriation is at risk of a significant decline if our enrollment doesn't grow as well.

In FY 2020, we received 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 FY 2022. 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 enrollment in times for higher unemployment that has not been the trend the College has experienced at this time. The Higher Education Emergency Relief Fund (HEERF) established by the CARES Act related to the COVID-19 Pandemic has created a revenue source for the College to offset the additional costs and lost revenue due to the pandemic. The College will be looking closely at budgets and ways to innovate instruction to attract more students.

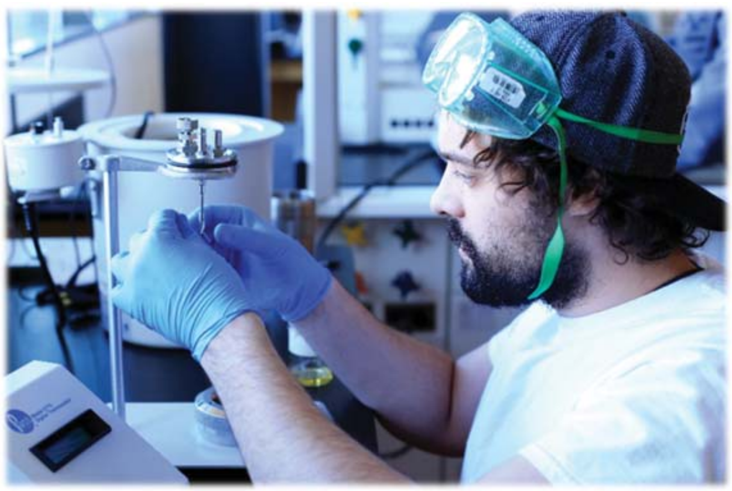
Management's Discussion and Analysis

Peninsula College

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

Peninsula 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 education for adults and community service educational programs. Established in 1961, Peninsula College's mission is to provide education opportunities in the areas of academic transfer, professional/technical, adult basic education and continuing education. The College also contributes to the cultural and economic enrichment of Clallam and Jefferson Counties. The College confers an applied baccalaureate degree, associates degrees, certificates and high school diplomas. The College is governed by a five member Board of Trustees appointed by the governor with the consent of the Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

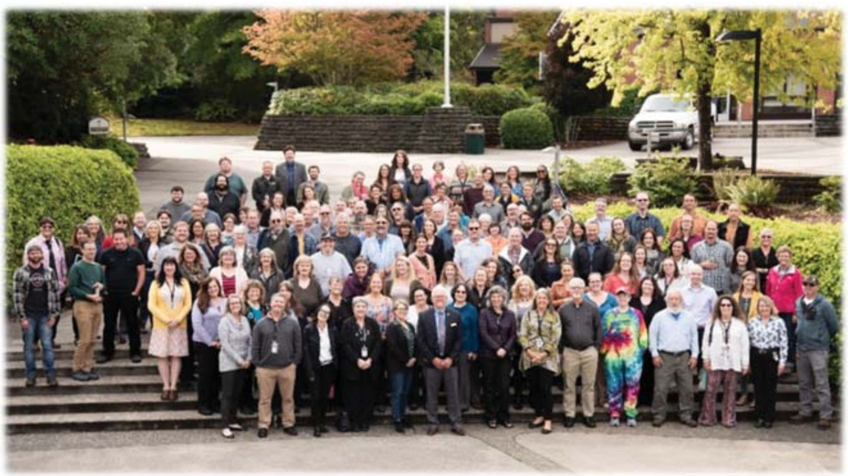


The College's service district comprises roughly 100,000 people, including several Native American tribes. 3,362 individuals were served in academic year 2019-2020. The College's main campus is located in Port Angeles, Washington, a community of 19,710 residents. The College has campuses in Forks and Port Townsend and offers services at many locations across the district.

Using the Financial Statements

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 Revenues, 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 of resources, liabilities, deferred inflows of resources, and net position at year-end.

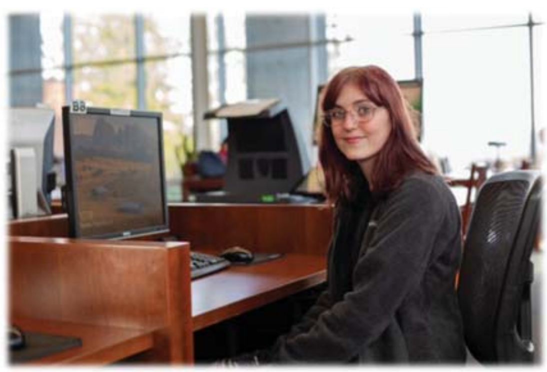
The overall financial position of the college decreased during the fiscal year primarily as a result of capital asset depreciation and decreased student enrollment coupled with a pay increase passed by the state legislature. A condensed comparison of the Statement of Net Position is as follows:

Condensed Statement of Net Position As of June 30th	FY 2020	FY 2019
Assets		
Current Assets	9,845,526	9,202,494
Non-current Assets	5,100,652	5,200,692
Capital Assets, net	84,467,067	86,576,546
Total Assets	**99,413,245**	**$ 100,979,732**
Total Deferred Outflows of Resources	**$ 2,341,966**	**$ 1,380,488**
Liabilities		
Current Liabilities	2,371,498	2,671,731
Non-current Liabilities	16,347,019	15,366,041
Total Liabilities	**$ 18,718,517**	**$ 18,037,772**
Total Deferred Inflows of Resources	**$ 4,425,870**	**$ 4,821,038**
Net Position	**$ 78,610,825**	**$ 79,501,410**

Note: Figures may not total due to rounding.

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The increase in current assets in FY 2020 can be attributed to an increase in cash due to operational savings.

Net capital assets decreased by $2,109,479 from FY 2019 to FY 2020. Current depreciation expense of $2,580,205 was partially offset by an increase relating to ongoing acquisitions of capitalizable buildings, equipment and library resources.



Non-current assets consist of the long-term portion of a note receivable related to leasehold improvements made to preserve and rehabilitate Building 202 at Fort Worden State Park in Jefferson County, Washington. Due to the historic nature of the building, Federal Historic Tax Credits were generated allowing the pass through of these credits to an equity investor, while in turn, affording the project additional capital.

Deferred outflows of resources represent deferrals in pension and postemployment benefits associated with the implementation of GASB Statement No. 68 in FY 2015, Statement No. 73 in FY 2017, and Statement No. 75 in FY 2018. The increase in deferred outflows reflects the

College's proportionate share of an increase in the state-wide amounts reported by the Department of Retirement Systems (DRS) and Health Care Authority (HCA) as well as the difference between expected and actual experience in the factors actuaries used to determine the cost of funding the plans. The College recorded $1,380,488 in FY 2019 and $2,341,966 in FY 2020 of pension and postemployment-related deferred outflows.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of Certificate of Participation (COP) debt, deposits held for others, unearned revenue and the short term portion of pension and OPEB. 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 decrease in current liabilities from FY 2019 to FY 2020 is primarily due to the reduction of accounts payable and unearned revenue.

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 COP debt, the other postemployment benefit liability and the net pension liability. The College's non-current liabilities were reduced reflecting its proportionate share of the statewide decrease in OPEB. A decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index discount rate and updated health care economic assumptions, which includes health care trends, were the changes in assumptions that led to this decrease.

Deferred inflows of resources related to pensions and postemployment benefits decreased from $4,821,038 in FY 2019 to $4,425,870 in FY 2020 primarily due to changes in assumptions used by actuaries in evaluating the cost of funding the OBEB.

Net position represents the value of the College's assets and deferred outflows after liabilities and deferred inflows are deducted. The College reports its net position in three 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 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 for student aid.

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

Net Position As of June 30th	**FY 2020**	**FY 2019**
Net investment in capital assets	82,467,970	84,425,048
Restricted Expendable	649,190	602,418
Unrestricted	(4,506,335)	(5,526,057)
Total Net Position	**78,610,825**	**79,501,410**

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 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, grants, and contracts are included in this category. In contrast, non-operating revenues include monies the College receives from another government entity 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 capitalized property and equipment. 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.

Management Discussion and Analysis (continued)

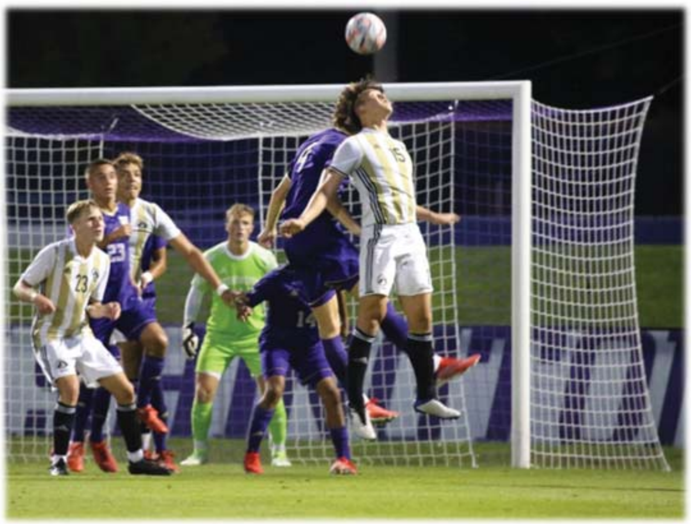
A condensed comparison of the College's Revenues, Expenses and Changes in Net Position for the years ended June 30, 2020 and 2019 is presented below.

As of June 30th	FY 2020	FY 2019
Operating Revenues		
State and local grants and contracts	7,738,069	7,799,400
Student tuition and fees, net	3,953,507	4,190,387
Auxiliary enterprise sales, net	905,784	1,019,808
Federal grants and contracts	1,478,972	628,651
Other operating revenues	46,947	208,679
Total Operating Revenues	14,123,279	13,846,925
Non-Operating Revenues		
State Appropriations	12,978,771	12,275,103
Federal Pell grant revenue	2,980,455	3,012,533
Interest Income	181,291	191,167
Total Non-Operating Revenues	16,140,517	15,478,803
Total Revenues	**30,263,797**	**29,325,729**
Operating Expenses by functional classification		
Instruction	9,562,777	9,961,599
Academic Support Services	2,403,861	2,763,893
Student Services	4,252,597	3,434,902
Institutional Support	4,763,310	4,666,029
Operation and Maintenance of Plant	1,971,727	2,235,100
Scholarships and other student financial aid	4,142,992	3,803,289
Auxiliary enterprises	1,429,069	1,407,937
Depreciation	2,580,205	2,544,087
Total Operating Expenses	31,106,537	30,816,835
Non-Operating Expenses	654,211	685,685
Total Expenses	**31,760,748**	**31,502,520**
Income (Loss) Before Capital Appropriations	**(1,496,951)**	**(2,176,791)**
Capital Appropriations	499,360	2,027,198
Capital Contributions	107,006	43,265
Increase in Net Position	**(890,585)**	**(106,327)**
Net Position, Beginning of the Year	79,501,410	79,607,737
Net Position, End of the Year	**78,610,825**	**79,501,410**

Note: Figures may not total due to rounding.

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 2017, the SBCTC moved forward with a new allocation model, allocating funds to each of the 34 Colleges based on a 3-year average of actual full time equivalent (FTE) student enrollment. In FY 2020, the model resulted in a decrease but was offset with an increase for compensation and benefit rate changes resulting in a modest increase to FY 2020's state allocation.



The decrease in tuition and fee revenue is primarily attributable to reduced enrollment related to COVID and the shift to online only instruction, partially offset by a 2.0% resident tuition increase enacted by the Legislature. Pell Grant revenue decreased by $32,078 due to less students taking advantage of this federal grant and also as a result of the decline in enrollment due to COVID.

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. In addition, the College serves some students and offers some programs on a fee-only basis, as allowed by law, and provides educational services to local correctional facilities under contract to the state Department of Corrections. Grant funds include federal grants serving adults in basic education programs, technical programs and Upward Bound. The College was awarded the College Spark grant in FY17, amounting to $500,000 in funding over a five year period, to design programs and formulate policy in order to provide students with more clarity on how to navigate the path to a desired degree.

A $2.2 million federal Department of Education grant was awarded to Peninsula College in FY 2019, which will enhance student success and academic quality. The goal of the Strengthening Institutions Program is to help institutions of higher education across the nation by providing funds to improve and strengthen the academic quality, institutional management, and fiscal stability of eligible institutions. Peninsula College's goals for the grant are improving student engagement and support, building a culture of equity and inclusion and achieving excellence in teaching and learning. The grant period began October 1, 2018, and the college will receive roughly $445K per year for five years for a total of $2,227,618. Each year, $85,000 from the grant, along with a dollar for dollar match from the Peninsula College Foundation, goes toward building an unrestricted endowment to support expansion of student success programs.

The college also received $527,512 from the Federal CARES act legislation in order to provide direct student aid with the hope of easing the economic impact of COVID-19.

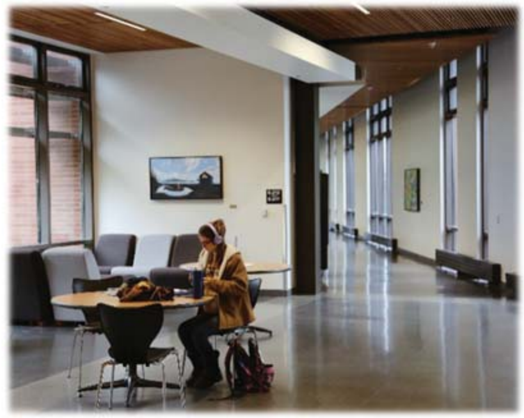
The College receives capital spending authority on a biennial basis and may carry unexpended amounts forward into one or two future biennia, depending on the original purpose of the funding. In accordance with accounting standards, the amount shown as capital appropriation revenue on the financial statement is the amount expended in the current year. Expenditures from capital project funds that do not meet accounting standards for capitalization are reported under 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.

<u>Expenses</u>

In FY 2020, the salaries, wages and benefit costs increase is attributed to a combination of salary and benefit increases appropriated by the Legislature, partially offset by a reduction in leave buyout and vacant positions not filled. Certain capital project costs do not meet accounting criteria for capitalization as part of the cost of the building and are instead recognized as supplies and materials, purchased services or non-capitalized furniture and equipment. Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing an increase in any year when a new building is placed in service.

Capital Assets and Long-Term Debt Activities

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



At June 30, 2020, the College had invested $84,467,067 in capital assets, net of accumulated depreciation. This represents a decrease of $2,109,479 from last year, as shown in the table below.

Asset Type	June 30, 2020	June 30, 2019	Change
Land	371,368	371,368	-
Construction in Progress	-	-	-
Buildings, net	82,990,385	84,745,791	(1,755,406)
Other Improvements and Infrastructure, net	219,010	434,839	(215,828)
Equipment, net	764,129	864,433	(100,304)
Library Resources, net	122,174	160,115	(37,941)
Total Capital Assets, net	**84,467,067**	**86,576,546**	**(2,109,479)**

Note: Figures may not total due to rounding.

The decrease in capital assets is attributable depreciation coupled with normal replacement and acquisition and/or removal of equipment and library resources. Additional information on capital assets can be found in Note 5 of the Notes to the Financial Statements.

At June 30, 2020 the College had $1,999,097 in outstanding debt comprised entirely of Certificates of Participation. Additional information concerning notes payable, long term debt and debt service schedules can be found in Notes 11 and 12 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

In FY 2017, the State Board for Community and Technical College's elected to move to a new allocation model, changing how the state allocated and distributed funds to each college. The new model is based on performance in several key indicators, from general enrollments to enrollments in high cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state. While enrollments have decreased system-wide for the community and technical colleges, there have not been across the board adjustments to the funding levels based on this new allocation method yet. However, if other colleges see their numbers grow, the College's operating appropriation is at risk of a significant decline if our enrollment doesn't grow as well.

In FY 2020, we received 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 FY 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 enrollment in times for higher unemployment, that has not been the trend the College has experienced at this time. The Higher Education Emergency Relief Fund (HEERF) established by the CARES Act related to the COVID-19 Pandemic has created a revenue source for the College to offset the additional costs and lost revenue due to the pandemic. The College will be looking closely at budgets and ways to innovate instruction to attract more students.

Peninsula College
Statement of Net Position
June 30, 2021

Assets	
Current assets	
Cash and cash equivalents (Note 3)	$ 7,943,052
Restricted cash and cash equivalents (Note 3)	548,155
Accounts Receivable (Note 4)	4,887,078
Inventories	213,527
Note receivable (Note 4)	98,385
Total current assets	13,690,197
Non-Current Assets	
Note receivable (Note 4)	5,193,077
Capital assets:	
Land and construction in progress (Note 5)	371,368
Capital assets, net of depreciation (Note 5)	81,932,055
Total non-current assets	87,496,500
Total assets	**101,186,697**
Deferred Outflows of Resources	
Deferred Outflows of Resources Related to Pensions (Note 14)	1,293,267
Deferred Outflows of Resources Related to OPEB (Note 14)	1,051,927
Total deferred outflows of resources	2,345,194
Liabilities	
Current Liabilities	
Accounts Payable (Note 6)	385,099
Accrued Liabilities (Note 6)	1,534,230
Compensated Absences (Note 9)	79,317
Deposits Payable	7,994
Unearned Revenue (Note 7)	69,538
Certificates of Participation Payable (Note 13)	125,000
Net Pension Liability (Note 14)	27,545
Total OPEB Liability (Note 15)	170,860
Total current liabilities	2,399,583
Non-Current Liabilities	
Compensated Absences (Note 9)	1,271,638
Certificates of Participation Payable (Note 13)	1,715,000
Net Pension liability (Note 14)	1,875,118
Total OPEB Liability (Note 15)	9,543,031
Total non-current liabilities	14,404,788
Total liabilities	**16,804,371**
Deferred Inflows of Resources	
Deferred Inflows of Resources Related to Pensions (Note 15)	1,872,128
Deferred Inflows of Resources Related to OPEB (Note 14)	3,304,267
Total deferred inflows of resources	5,176,395
Net Position	
Net Investment in Capital Assets	80,463,423
Restricted for Expendable:	
Student Aid	588,064
Unrestricted	499,638
Total Net Position	**$ 81,551,126**

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

Peninsula College

Statement of Net Position

June 30, 2020

Assets	
Current assets	
Cash and cash equivalents (Note 3)	$ 6,147,633
Restricted cash and cash equivalents (Note 3)	656,568
Accounts Receivable (Note 4)	2,683,589
Inventories	261,507
Note receivable (Note 4)	96,230
Total current assets	9,845,526
Non-Current Assets	
Note receivable (Note 4)	5,100,652
Capital assets:	
Land and construction in progress (Note 5)	371,368
Capital assets, net of depreciation (Note 5)	84,095,699
Total non-current assets	89,567,719
Total assets	**99,413,245**
Deferred Outflows of Resources	
Deferred Outflows of Resources Related to Pensions (Note 14)	1,325,493
Deferred Outflows of Resources Related to OPEB (Note 14)	1,016,474
Total deferred outflows of resources	2,341,966
Liabilities	
Current Liabilities	
Accounts Payable (Note 6)	393,442
Accrued Liabilities (Note 6)	1,379,636
Compensated Absences (Note 9)	23,163
Deposits Payable	8,184
Unearned Revenue (Note 7)	205,238
Certificates of Participation Payable (Note 13)	159,097
Pension Liability (Note 14)	31,052
Total OPEB Liability (Note 15)	171,687
Total current liabilities	2,371,498
Non-Current Liabilities	
Compensated Absences (Note 9)	1,255,123
Certificates of Participation Payable (Note 13)	1,840,000
Net Pension liability (Note 14)	1,355,736
Total pension liability (Note 14)	2,110,938
Total OPEB Liability (Note 15)	9,785,222
Total non-current liabilities	16,347,019
Total liabilities	**18,718,517**
Deferred Inflows of Resources	
Deferred Inflows of Resources Related to Pensions (Note 15)	1,204,582
Deferred Inflows of Resources Related to OPEB (Note 14)	3,221,287
Total deferred inflows of resources	4,425,870
Net Position	
Net Investment in Capital Assets	82,467,970
Restricted for Expendable:	
Student Aid	649,190
Unrestricted	(4,506,335)
Total Net Position	**$ 78,610,825**

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

Peninsula College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021

Operating Revenues	
State and local grants and contracts	7,936,413
Student tuition and fees (net of scholarship allowance of $2,209,670)	$ 3,099,804
Auxiliary enterprise sales	544,390
Federal grants and contracts	2,938,818
Other operating revenues	192,914
Total operating revenue	14,712,338
Operating Expenses	
Salaries and wages	13,893,318
Benefits	3,783,016
Scholarships and fellowships	3,621,106
Depreciation	2,484,357
Purchased services	1,773,768
Other operating expenses	852,103
Non-capitalized furniture and equipment	424,387
Supplies and materials	885,650
Utilities	366,962
Total operating expenses	28,084,667
Operating income (loss)	(13,372,329)
Non-Operating Revenues (Expenses)	
State appropriations	13,628,100
Federal Pell grant revenue	2,079,385
Interest Income	129,914
Building and Innovation fees remitted to state	(474,399)
Interest on indebtedness	(89,938)
Other non-operating income	229,167
Net non-operating revenue (expenses)	**15,502,229**
Income or (loss) before other revenues, expenses, gains, or losses	2,129,900
Other Revenues	
Capital appropriations	789,077
Capital contributions	21,324
Increase (Decrease) in net position	2,940,301
Net Position	
Net position, beginning of year	78,610,825
Net position, end of year	$ 81,551,126

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

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

Operating Revenues		
State and local grants and contracts		7,738,069
Student tuition and fees (net of scholarship allowance of $2,048,092)	$	3,953,507
Auxiliary enterprise sales		905,784
Federal grants and contracts		1,478,972
Other operating revenues		46,947
Total operating revenue		14,123,279
Operating Expenses		
Salaries and wages		13,999,256
Benefits		4,845,402
Scholarships and fellowships		5,043,126
Depreciation		2,580,205
Purchased services		1,729,844
Other operating expenses		1,134,948
Non-capitalized furniture and equipment		307,964
Supplies and materials		1,011,094
Utilities		454,698
Total operating expenses		31,106,537
Operating income (loss)		(16,983,258)
Non-Operating Revenues (Expenses)		
State appropriations		12,978,771
Federal Pell grant revenue		2,980,455
Interest Income		181,291
Building and Innovation fees remitted to state		(553,232)
Interest on indebtedness		(97,168)
Other non-operating expenses		(3,810)
Net non-operating revenue (expenses)		**15,486,307**
Income or (loss) before other revenues, expenses, gains, or losses		(1,496,951)
Other Revenues		
Capital appropriations		499,360
Capital contributions		107,006
Increase (Decrease) in net position		(890,585)
Net Position		
Net position, beginning of year		79,501,410
Net position, end of year	$	78,610,825

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

Peninsula College
Statement of Cash Flows
For the Year Ended June 30, 2021

Cash flow from operating activities	
Student tuition and fees	$ 3,478,546
Grants and contracts	9,098,398
Payments to vendors	(3,899,022)
Payments to employees	(13,652,380)
Payments for benefits	(4,399,582)
Auxiliary enterprise sales	376,247
Payments for scholarships and fellowships	(3,621,106)
Other receipts	192,914
Other payments	(307,885)
Net cash used by operating activities	(12,733,869)
Cash flows from noncapital financing activities	
State appropriations	12,317,532
Pell grants	2,079,385
Building and Innovation fees remitted to state	(470,442)
Net cash provided by noncapital financing activit	13,926,475
Cash flows from capital and related financing activities	
Proceeds from capital asset sale	186,000
Capital appropriations	933,225
Acquistion and construction of capital assets	(601,932)
Capital contributions	96,230
Principal paid on capital debt	(159,097)
Interest paid on capital debt	(89,938)
Net cash used by capital and related financing act	364,487
Cash flows from investing activities	
Interest Income	129,914
Net cash provided by investing activities	129,914
Increase (decrease) in cash and cash equivalents	1,687,006
Cash and cash equivalents at the beginning of the year	6,804,201
Cash and cash equivalents at the end of the year	8,491,207
Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	(13,372,329)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	2,484,357
Changes in assets and liabilities	
Receivables, net	(886,125)
Inventories	47,980
Accounts payable	(8,343)
Accrued liabilities	154,595
Unearned revenue	(135,700)
Compensated absences	72,669
Pension liability adjustment	(1,090,782)
Deposits payable	(190)
Net cash used by operating activities	$ (12,733,869)
Significant Noncash Transactions	
Captial assets acquired through gifts	21,324

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

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

Cash flow from operating activities	
Student tuition and fees	$ 3,716,589
Grants and contracts	9,671,993
Payments to vendors	(3,538,919)
Payments to employees	(14,322,713)
Payments for benefits	(4,954,143)
Auxiliary enterprise sales	844,062
Payments for scholarships and fellowships	(5,043,126)
Other receipts	80,275
Other payments	(1,492,676)
Net cash used by operating activities	(15,038,658)
Cash flows from noncapital financing activities	
State appropriations	12,807,598
Pell grants	2,980,455
Building and Innovation fees remitted to state	(559,881)
Net cash provided by noncapital financing activities	15,228,172
Cash flows from capital and related financing activities	
Capital appropriations	643,854
Acquistion and construction of capital assets	(363,718)
Capital contributions	94,122
Principal paid on capital debt	(152,401)
Interest paid on capital debt	(97,168)
Net cash used by capital and related financing activities	124,689
Cash flows from investing activities	
Interest Income	181,291
Net cash provided by investing activities	181,291
Increase (decrease) in cash and cash equivalents	495,494
Cash and cash equivalents at the beginning of the year	6,308,707
Cash and cash equivalents at the end of the year	6,804,201
Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	(16,983,258)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	2,580,205
Changes in assets and liabilities	
Receivables, net	(111,752)
Inventories	(6,999)
Other assets	-
Accounts payable	(344,385)
Accrued liabilities	97,484
Unearned revenue	(64,117)
Compensated absences	(155,558)
Pension liability adjustment	(51,409)
Deposits payable	1,132
Loans to students and employees	-
Net cash used by operating activities	$ (15,038,658)
Significant Noncash Transactions	
Captial assets acquired through gifts	107,006

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

The Peninsula College Foundation
A Washington Non-Profit Corporation

Statement of Financial Position

As of June 30,		2021		2020
Assets				
Assets:				
Cash & cash equivalents	$	1,068,566	$	983,400
Contributions receivable (less discount of $14,031 and $29,396 for 2021 and 2020, respectively)		249,805		428,677
Loans and miscellaneous receivables		100,874		100,874
Custodial funds		509,127		474,896
Investments		74,002		59,935
Assets restricted for endowment		5,386,291		4,157,482
Total Assets	**$**	**7,388,665**	**$**	**6,205,264**
Liabilities and Net Assets				
Liabilities:				
Accounts payable	$	115,551	$	146,590
Custodial funds liability		509,127		474,896
Total Liabilities		**624,678**		**621,486**
Net Assets:				
Without donor restrictions:				
Undesignated		106,792		91,775
Total Net Assets Without Donor Restrictions		**106,792**		**91,775**
With donor restrictions		6,657,195		5,492,003
Total Net Assets		**6,763,987**		**5,583,778**
Total Liabilities and Net Assets	**$**	**7,388,665**	**$**	**6,205,264**

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

The Peninsula College Foundation
A Washington Non-Profit Corporation

Statement of Financial Position

As of June 30,		2020		2019
Assets				
Assets:				
Cash & cash equivalents	$	983,400	$	734,499
Contributions receivable (less discount of $29,396 and $52,334 for 2020 and 2019, respectively)		428,677		417,633
Loans and miscellaneous receivables		100,874		103,423
Custodial funds		474,896		501,444
Investments		59,935		103,949
Assets restricted for endowment		4,157,482		3,953,954
Total Assets	**$**	**6,205,264**	**$**	**5,814,902**
Liabilities and Net Assets				
Liabilities:				
Accounts payable	$	146,590	$	58,775
Custodial funds liability		474,896		501,444
Total Liabilities		**621,486**		**560,219**
Net Assets:				
Without donor restrictions:				
Undesignated		91,775		133,745
Total Net Assets Without Donor Restrictions		**91,775**		**133,745**
With donor restrictions		5,492,003		5,120,938
Total Net Assets		**5,583,778**		**5,254,683**
Total Liabilities and Net Assets	**$**	**6,205,264**	**$**	**5,814,902**

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

The Peninsula College Foundation
A Washington Non-Profit Corporation

Statement of Activities and Changes in Net Assets

For the Year Ended June 30,			2021
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Public support:			
Contributions	$ 37,564	$ 743,910	$ 781,474
In-kind contributions	268,141	-	268,141
Pirate Athletic Association	37,897	-	37,897
Investment income	28,484	117,681	146,165
Net realized & unrealized gain (loss) on investments	177,561	727,414	904,975
Net assets released from donor restrictions	423,813	(423,813)	-
Total Support and Revenue	**973,460**	**1,165,192**	**2,138,652**
Expenses:			
Program Services	826,132	-	826,132
Management and General	93,660	-	93,660
Fundraising	38,651	-	38,651
Total Expenses	**958,443**	**-**	**958,443**
Increase (Decrease) in Net Assets	**15,017**	**1,165,192**	**1,180,209**
Net Assets, Beginning of Year	91,775	5,492,003	5,583,778
Net Assets, End of Year	**$ 106,792**	**$ 6,657,195**	**$ 6,763,987**

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

The Peninsula College Foundation

A Washington Non-Profit Corporation

Statement of Activities and Changes in Net Assets

For the Year Ended June 30,			2020
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Public support:			
Contributions	$ 50,224	$ 732,436	$ 782,660
Event Income	3,472	-	3,472
Less: direct event expense	(656)	-	(656)
In-kind contributions	288,880	-	288,880
Pirate Athletic Association	81,340	-	81,340
Investment income	10,982	167,195	178,177
Net realized & unrealized gain (loss) on investments	8,416	24,991	33,407
Net assets released from restrictions	553,557	(553,557)	-
Total Support and Revenue	**996,215**	**371,065**	**1,367,280**
Expenses:			
Program Services	878,875	-	878,875
Management and General	91,418	-	91,418
Fundraising	67,892	-	67,892
Total Expenses	**1,038,185**	**-**	**1,038,185**
Increase (Decrease) in Net Assets	**(41,970)**	**371,065**	**329,095**
Net Assets, Beginning of Year	133,745	5,120,938	5,254,683
Net Assets, End of Year	**$ 91,775**	**$ 5,492,003**	**$ 5,583,778**

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

The Peninsula College Foundation
A Washington Non-Profit Corporation

Statement of Activities and Changes in Net Assets

For the Year Ended June 30,			2019
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Public support:			
Contributions	$ 22,227	$ 1,265,330	$ 1,287,557
Event Income	5,722	-	5,722
Less: direct event expense	(3,973)	-	(3,973)
In-kind contributions	350,692	-	350,692
Pirate Athletic Association	66,089	-	66,089
Investment income	4,206	165,198	169,404
Net realized & unrealized gain (loss) on investments	28,563	82,554	111,117
Net assets released from donor restrictions	521,470	(521,470)	-
Total Support and Revenue	**994,996**	**991,612**	**1,986,608**
Expenses:			
Program Services	883,565	-	883,565
Management and General	88,221	-	88,221
Fundraising	64,946	-	64,946
Total Expenses	**1,036,732**	-	**1,036,732**
Increase (Decrease) in Net Assets	**(41,736)**	**991,612**	**949,876**
Net Assets, Beginning of Year	175,481	4,129,326	4,304,807
Net Assets, End of Year	**$ 133,745**	**$ 5,120,938**	**$ 5,254,683**

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

THE PENINSULA COLLEGE FOUNDATION

A Washington Non-Profit Corporation

Statement of Cash Flows

For the Year Ended June 30,		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in Net Assets	$	1,180,209 $	329,095
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
(Gain) loss on investments		(1,051,140)	(211,584)
(Increase) Decrease in contributions receivable		178,872	(11,044)
(Increase) Decrease in loans and miscellaneous receivables		-	1,243
Increase (Decrease) in accounts payable		(31,039)	87,815
Net Cash Provided (Used) by Operating Activities		**276,902**	**195,525**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from investments		451,020	397,039
Cash paid for investments		(642,756)	(343,663)
Net Cash Provided (Used) By Investing Activities		**(191,736)**	**53,376**
CASH FLOWS FROM FINANCING ACTIVITIES:		-	-
Net Increase (Decrease) in Cash		85,166	248,901
Cash, Beginning of Year		983,400	734,499
Cash, End of Year	**$**	**1,068,566 $**	**983,400**

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

THE PENINSULA COLLEGE FOUNDATION

A Washington Non-Profit Corporation

Statement of Cash Flows

For the Year Ended June 30,	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 329,095	$ 949,876
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Gain) loss on investments	(211,584)	(280,521)
Bad debts	-	1,306
(Increase) Decrease in contributions receivable	(11,044)	(198,921)
(Increase) Decrease in loans and miscellaneous receivables	1,243	2,145
Increase (Decrease) in accounts payable	87,815	34,995
Net Cash Provided (Used) by Operating Activities	**195,525**	**508,880**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from investments	397,039	259,910
Cash paid for investments	(343,663)	(640,747)
Net Cash Provided (Used) By Investing Activities	**53,376**	**(380,837)**
CASH FLOWS FROM FINANCING ACTIVITIES:	-	-
Net Increase (Decrease) in Cash	248,901	128,043
Cash, Beginning of Year	734,499	606,456
Cash, End of Year	**$ 983,400**	**$ 734,499**

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

Notes to the Financial Statements

June 30, 2021

These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

Peninsula College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic education for adults, and community services. The College confers applied baccalaureate degrees, associates degrees, certificates and high school diplomas. It is governed by a five-member Board of Trustees appointed by the Governor and confirmed by the state Senate. The College is an agency of the State of Washington. The financial activity of the college is included in the State's Comprehensive Annual Financial Report.

The Peninsula College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1992 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to create access, excellence and success for the Peninsula College community by providing funds for students and programs. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the College or its students, the Foundation is considered a discrete component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39, and 14. A discrete component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2021, the Foundation distributed $826,132 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 1502 East Lauridsen Boulevard in Port Angeles or by calling 360-417-6400.

Basis of Presentation

The financial statements have been prepared in accordance with Governmental Accounting Standards Board 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 inflows, liabilities, deferred outflows, 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 the financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Cash includes cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated for general operating needs of the College. The internal investment pool comprises cash.

Accounts Receivable

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

Inventories
Inventories, consisting primarily of merchandise for resale in the college bookstore, are valued at cost using the last-in, first-out inventory method, also known as LIFO.

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 rest with the College. As a result, the assets are included in the financial statements because excluding them would have been misleading to the reader.

Land, buildings, and equipment are recorded at cost, or if acquired by gift, 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. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, assets are capitalized as follows:

- all land
- buildings, building improvements, leasehold improvements, and infrastructure with a unit cost of $100,000 or more
- intangible assets and software with a unit cost of $1,000,000 or more
- all other assets with a unit cost of $5,000 or more or collections with a total cost of $5,000 or more

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 range from 15 to 50 years for buildings and improvements, 10 to 50 years for improvements other than buildings and infrastructure, 7 years for library resources, 2 to 10 years for most equipment and 11 to 40 years for heavy duty equipment.

In accordance with GASB Statement 42, 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, 2021, 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 are related to the subsequent fiscal year. The college has recorded 2021 summer and fall quarter tuition and fees as unearned revenues.

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

Net Pension Liability

For purposes of measuring the net pension liability in accordance with GASB 68, *Accounting and Financial Reporting for Pensions*, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of Washington Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) and additions to/deductions from PERS's and TRS's fiduciary net position have been determined on the same basis as they are reported by PERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The College also reports its share of the net pension liability for the State Board Retirement Plan in accordance with GASB 68 Accounting and Financial Reporting for Pensions and Related Assets. This is a change in assumptions from prior years.

OPEB Liability

In FY 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 category represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- *Restricted for Expendable.* This category includes resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.
- *Unrestricted.* This category represents resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

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

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 have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) some federal, state and local grants and contracts.

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

Non-operating Revenues: This includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, Federal Pell grant revenue, state appropriations, and investment income.

Non-operating Expense: Non-operating expenses include state remittances related to the building fee and the innovation fee, along with interest incurred on the Certificate of Participation loans.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on 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, 2021 are $2,209,670.

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

Building and Innovation Fee Remittance
Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years among the Community and Technical Colleges. 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 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 Standards 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 fiscal year 2021. GASB 95 postponed the effective date to fiscal year 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.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the fiscal year ending June 30, 2021. GASB 95 has postponed the effective date to fiscal year 2022. This Statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, these costs will no longer be included in the capitalized cost of capital assets reported by the College. The Statement will be applied on a prospective basis and the interest costs capitalized prior to implementation will continue to be recognized as those assets are depreciated.

3. Cash

Cash includes bank demand deposits, petty cash held at the College and unit shares in the Local Government Investment Pool (LGIP). The LGIP is limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both the market and credit risk. The LGIP is an unrated investment pool.

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 fair value or amortized cost, which approximates fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates. For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

The LGIP portfolio is invested in a manner that meets the requirements set forth by the Governmental Accounting Standards Board for the maturity, quality, diversification and liquidity for external investment pools that wish to measure all of its investments at amortized costs. The LGIP transacts with its participants at a stable net asset value per share of one dollar, which results in the amortized cost reported equaling the number of shares in the LGIP.

The Office of the State Treasurer (OST) prepares a stand-alone LGIP financial report. A copy of the report is available from the OST, PO Box 40200, Olympia, Washington 98504-0200, or online at: http://tre.wa.gov/partners/for-local-governments/local-government-investment-pool-lgip/lgip-comprehensive-annual-financial-report/. In addition, more information is available regarding the LGIP in the Washington State Consolidated Annual Financial report, which can be found online at http://ofm.wa.gov/cafr/default.asp.

The College can contribute or withdraw funds in any amount from the LGIP on a daily basis. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The College adjusts its LGIP investment amounts monthly to reflect interest earnings as reported from the Office of the State Treasurer.

As of June 30, 2021, the carrying amount of the College's cash was $8,491,207. The majority of restricted cash included in total cash consists of amounts restricted for institutional financial aid funds per RCW 28B.15.820 and construction retainage. The classification is represented in the table below.

Cash and Cash Equivalents	**June 30, 2021**
Bank Demand and Time Deposits	3,077,632
Restricted Cash	548,155
Local Government Investment Pool	4,860,286
Petty Cash and Change Funds	5,134
Total Cash and Cash Equivalents	**8,491,207**

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 Bank of America. 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).

4. Receivables

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

At June 30, 2021, accounts receivable were as follows:

Accounts Receivable	**Amount**
Student Tuition and Fees	372,978
Due from the Federal Government	392,342
Due from Other State Agencies	1,589,936
Due from Other Government	1,601,417
Auxiliary Enterprises	264,936
Other	912,407
Subtotal	5,134,017
Less Allowance for Uncollectible Accounts	(246,939)
Accounts Receivable, net	**4,887,078**

The Note Receivable relates to a promissory note received from 202 Landlord LLC on September 16, 2016 pertaining to leasehold improvements made to preserve and rehabilitate Building 202 at Fort Worden State Park in Jefferson County, Washington. The principal sum of $5,543,211, with an annual interest rate of 2.24% is payable quarterly with a term of 40 years. The borrower has the option of prepaying the principal amount due in whole or in part without penalty.

	Balance oustanding 6/30/20	Additions	Reductions	Balance oustanding 6/30/21	Current Portion
Note Receivable	5,196,881	190,810	(96,230)	5,291,462	98,385
Total	5,196,881	190,810	(96,230)	5,291,462	98,385

5. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2021 is presented as follows. The current year depreciation expense was $2,484,357.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Nondepreciable capital assets				
Land	371,368			371,368
Construction in Progress	-			-
Total nondepreciable assets	**371,368**	**-**	**-**	**371,368**
Depreciable capital assets				
Buildings	105,158,109	564,754	(500,000)	105,222,864
Other improvements and infrastructure	2,081,495			2,081,495
Equipment	4,148,272	82,156		4,230,428
Library resources	1,631,612	4,635		1,636,247
Subtotal depreciable capital assets	**113,019,488**	**651,546**	**(500,000)**	**113,171,034**
Less accumulated depreciation				
Buildings	22,167,724	2,105,408	(169,167)	24,103,965
Other improvements and infrastructure	1,862,485	162,580		2,025,064
Equipment	3,384,142	170,593		3,554,736
Library resources	1,509,438	45,775		1,555,213
Total accumulated depreciation	**28,923,789**	**2,484,357**	**(169,167)**	**31,238,979**
Total depreciable capital assets	**84,095,699**	**(1,832,811)**	**(330,833)**	**81,932,055**
Capital assets, net of accumulated depreciation	**84,467,067**	**(1,832,811)**	**(330,833)**	**82,303,423**

6. Accounts Payable and Accrued Liabilities

At June 30, 2021, accrued liabilities are the following:

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	349,509
Accounts Payable	385,099
Amounts Held for Others and Retainage	1,184,721
Total	1,919,329

7. Unearned Revenue

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

Unearned Revenue	Amount
2021 Summer & Fall Quarter Tuition & Fees	69,538
Total Unearned Revenue	69,538

8. Risk Management

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

The College, 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, 2020 through June 30, 2021 were $126,097.30. Cash reserves for unemployment compensation for all employees at June 30, 2021 were $106,103.

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.

9. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time up to a certain amount. Pending an affirmative calendar year vote by all employees in their employment group, during which the period including the fiscal year July 1, 2020 through June 30, 2021 was affirmative, 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. Compensatory time is categorized as a current liability since it must be used before other leave. Accrued annual and sick leave are categorized as non-current liabilities for current employees except for those employees that have disclosed plans for termination or retirement during the first two months of the subsequent fiscal year which are categorized as current liabilities.

The accrued vacation leave totaled $814,385, and the accrued sick leave totaled $536,570 at June 30, 2021.

10. Leases Payable

The College has leases for office equipment with various vendors as well as a lease of instructional space in Building 202 at Fort Worden. The leases are classified as operating leases. The Fort Worden lease commenced on September 2016 and has an initial term of five years. The lease shall automatically renew for two additional periods of five years each. As of June 30, 2021, the minimum lease payments under operating leases consist of the following:

Fiscal Year	Equipment	Instructional Space	Total Operating Leases
2022	26,274	40,200	66,474
2023	16,914		16,914
2024	16,914	-	16,914
2025	16,914	-	16,914
2026	-	-	-
Total minimum lease payments	**77,016**	**40,200**	**117,216**

11. Notes Payable

In August 2012, the College obtained financing in order to build the Wellness Center Addition to the Gymnasium through COP, issued by the OST in the amount of $710,000. Students assessed themselves, quarterly, a mandatory per credit fee to service the debt starting in 2012. The interest rate charged is 3.10%. Student fees related to this COP are accounted for in a dedicated fund.

In April 2013, the College obtained financing in order to purchase and renovate the Forks Satellite Site through COP, issued by the OST in the amount of $1,945,000. The interest rate charged is 4.175%.

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

12. Annual Debt Service Requirements

Future debt service requirements at June 30, 2021 are as follows.

Certificates of Participation

Fiscal Year	Principal	Interest	Total
2022	125,000	83,306	208,306
2023	130,000	77,056	207,056
2024	130,000	70,556	200,556
2025	140,000	64,056	204,056
2026	145,000	57,056	202,056
2027-2031	835,000	182,419	1,017,419
2032-2036	335,000	21,713	356,713
Total	1,840,000	556,163	2,396,163

13. Schedule of Long Term Liabilities

	Balance oustanding 6/30/20	Additions	Reductions	Balance oustanding 6/30/21	Current Portion
Certificates of Participation	1,999,097		(159,097)	1,840,000	125,000
Pension Liability	3,494,620		(1,591,957)	1,902,663	27,545
Total Other Post-Employment Benefits	9,956,909		(243,018)	9,713,891	170,860
Compensated Absences	1,278,286	766,643	(693,974)	1,350,955	79,317
Total	16,728,912	766,643	(2,688,046)	14,807,509	402,722

14. Pension 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 State of Washington Department of Retirement Services (DRS). The State Board Retirement Plan (SBRP) is a single employer defined contribution plan which includes supplemental payment, when required. The SBRP plan is administered by the State Board for Community and Technical Colleges (SBCTC) and is available to faculty, exempt administrative and professional staff of the state's public community and technical colleges. The College reports its proportionate share of the net pension liability as it is a part of the 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, and pension expense, information about the fiduciary net position of all plans and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for Peninsula College, for fiscal year 2021:

Aggregate Pension Amounts – All Plans

Pension Liabilities	$	1,902,663
Deferred outflows of resources related to pensions	$	1,293,267
Deferred inflows of resources related to pensions	$	1,872,128
Pension expense/expenditures	$	(353,053)

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

The DRS administered systems that Peninsula College offers its employees are comprised of four defined benefit pension plans and two defined benefit/defined contribution plans. Below are the DRS plans that the College offers its employees:

- 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 systems and plans was funded by an employer rate of 0.18% 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 DRS.

The DRS prepares a stand-alone financial report that is compliant with the retirements of Statement 67 of the Governmental Accounting Standards Board. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at http://www.drs.wa.gov/administration/annual-report

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

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

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

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

February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

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

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

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

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

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months. PERS 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; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. 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.

TRS

Plan Description.

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

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

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

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

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

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

TRS Plan 2 retirement benefits 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. TRS Plan 2 members have the option to retire early with reduced benefits. The AFC is the average of the member's 60 highest paid consecutive months.

TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of the service are earned after age 44; or after five service credit years earned in TRS Plan 2 by July 1, 1996. Plan 3 members are immediately vested in the defined contribution portion of their plan. 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, 2021 were as follows:

	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rate	12.97%	12.97%	15.74%	15.74%
Actual Contributions	$ 186,908	$ 304,944	$ 24,572	$ 27,091

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

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of June 30, 2019, 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:

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

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

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

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

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

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the following table:

Asset Class	**Target Allocation**	**Long-term Expected Real Rate**
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 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.

Pension Expense

Pension expense is included as part of Employee Benefits expense in the Statement of Revenues, Expenses and Changes in Net Position. The table below shows the components of each pension plans expense as it effected employee benefits:

	Pension Expense
PERS 1	12,065
PERS 2/3	48,042
TRS 1	26,795
TRS 2/3	23,626
Total	**110,528**

Changes in Proportionate Shares of Pension Liabilities

The changes to the College's proportionate share of pension liabilities from 2019 to 2020 for each retirement plan are listed below:

	2019	**2020**	**Change**
PERS 1	. 024836%	.024115%	-0.000721
PER 2/3	.030981%	.031258%	0.000277
TRS 1	003237%	.003834%	0.000597
TRS 2/3	.003258%	.003921%	0.000663

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 in relation to the projected contributions of all participating state agencies, actuarially determined.

Discount Rate

The discount rate used to measure the net pension liability was 7.40 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed assets sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test.

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

Sensitivity of the net pension liability to changes in the discount rate

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

Pension Plan	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS Plan 1	1,066,414	851,390	663,866
PERS Plan 2/3	2,487,489	399,722	(1,319,464)
TRS Plan 1	117,010	92,353	70,835
TRS Plan 2/3	177,490	60,226	(35,432)

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

Pension Liabilities**.** At June 30, 2021, the College reported a total pension liability of $1,403,740 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	851,389
PERS 2/3	399,772
TRS 1	92,353
TRS 2/3	60,226

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

The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2021:

	PERS 1		PERS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience			143,113	50,101
Difference between projected and actual earnings of pension plan investments		4,740	-	20,303
Changes of Assumptions			5,694	273,079
Changes in College's proportionate share of pension liabilities			67,937	38,013
Contributions to pension plans after measurement date	186,338		304,292	-
	186,338	4,740	521,035	381,496

	TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-	38,062	217
Difference between projected and actual earnings of pension plan investments	-	594	-	585
Changes of Assumptions	-	-	7,768	6,600
Changes in College's proportionate share of pension liabilities	-	-	14,476	4,947
Contributions to pension plans after measurement date	24,501	-	27,015	-
	24,501	594	87,321	12,349

The $542,145 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2022.

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

Year ended June 30:	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2022	(21,511)	(157,739)	(2,610)	1,223
2023	(677)	(31,509)	(76)	5,726
2024	6,564	15,247	795	7,827
2025	10,884	36,048	1,298	9,547
2026	-	(10,592)	-	5,936
Thereafter	-	(16,206)	-	17,700
	(4,740)	(164,752)	(594)	47,958

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

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

Plan Description

The State Board Retirement Plan is a privately administered single-employer defined contribution plan with a supplemental defined benefit plan component 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. House Bill 1661, effective fiscal year 2021, created separate Supplemental Retirement Plan (SRP) funds by institution that met the definition of a trust or equivalent arrangement. As a result, this is the first year these plans will be reported under GASB Statement No. 67/68. Prior to this, the SRP was reported under GASB Statement No. 73.

Contributions. Contribution rates for the (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, 2021 were each $751,547.

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

As of July 1, 2011, Higher Education Supplemental Retirement Plans were closed to new entrants.

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

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

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of June 30, 2020, with results rolled forward to the June 30, 2021, 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*	N/A

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

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

Most actuarial assumptions used in the June 30, 2020 valuation were based on the results of the August 2021 Supplemental Plan Experience Study. Additional assumptions related to the salary growth were based on feedback from financial administrators of the Higher Education Supplemental Retirement Plans.

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

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

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

Discount Rate The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligations 20-Bond Municipal Bond Index, or 7.4 percent for the June 30, 2021, measurement date.

Pension Expense

The Pension Expense is the summation of a number of components, including benefits earned during the fiscal year and interest on the TPL. These numbers are sensitive to assumption changes and plan experience and can be volatile from year to year.

Pension Expense for the fiscal year ending June 30, 2021 was $(463,581).

Proportionate Share (%)	**1.37335%**
Service Cost	$ 64,163
Interest Cost	45,636
Amortization of Differences Between Expected and Actual Experience	(93,566)
Amortization of Changes of Assumptions	(55,332)
Changes of Benefit Terms	-
Employee Contributions	-
Expected Earnings on Plan Investments	(24,102)
Amortization of Difference between Projected and Actual Earnings on Plan Investments	(17,730)
Administrative Expenses	
Other Changes in Fiduciary Net Position	-
Proportionate Share of Collective Pension Expense	**(80,931)**
Amortization of the Change in Proportionate Share of TPL	(25,016)
Benefit payments and Employer Contributions	(36,366)
Beginning Balance Net Position	(321,267)
Total Pension Expense	**$ (463,581)**

Plan Membership

Membership of the State Board Supplemental Retirement Plans consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Plan	Inactive Members (Or Beneficiaries) Curently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
State Board Suppl Retirement Plan	10	13	68	91

Net Pension Liability/(Asset)

The following table presents the change in net pension liability/(asset) of the State Board Supplemental Retirement Plan as of June 30, 2021:

Schedule of Development of Net Pension Liability	
Community and Technical Colleges	
(Dollars in Thousands)	**2020**
Total Pension Liability	
Service Cost	64,163
Interest	45,636
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience[1]	(411,743)
Changes in Assumptions[1]	(743,117)
Benefit Payments	(27,357)
Change in Proportionate Share of TPL	(127,625)
Net Change in Total Pension Liability	(1,200,043)
Total Pension Liability - Beginning	2,141,990
Total Pension Liability - Ending (a)	**941,947**
Plan Fiduciary Net Position	
Contributions - Employer	9,009
Contributions - Member	-
Net Investment Income	112,765
Benefit Payments	-
Administrative Expense	-
Other	-
Net Change in Plan Fiduciary Net Position	121,774
Plan Fiduciary Net Position-Beginning	321,267
Plan Fiducairy Net Position-Ending (b)	443,041
Plan's Net Pension Liability (Asset) -- Ending (a)-(b)	**498,906**
Covered-Employee Payroll	
Total Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	

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

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

Total Pension Liability/(Asset)	1% Decrease	Current Discount Rate	1% Increase
Peninsula College	597,776	498,923	413,817

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2021, the State Board Supplemental Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 133,901	$ 543,392
Changes of assumptions	315,732	689,214
Changes in College's proportionate share of pension liability	24,439	169,517
Difference between projected and actual investment earnings on pension plan investments	-	70,920
Total	$ 474,072	$ 1,473,042

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:

Peninsula College	
2022	(191,644)
2023	(191,644)
2024	(169,012)
2025	(135,049)
2026	(126,196)
Thereafter	(185,424)

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

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

The PEBB OPEB plan is administered by the state and is funded on a pay-as-you-go basis. In the state CAFR the plan is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. It has no assets. The PEBB OPEB plan 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 13 of the state's K-12 schools and educational service districts (ESDs), and 261 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 state consisted of the following:

Summary of Plan Participants
As of June 30, 2020

Active Employees*	209
Retirees Receiving Benefits**	96
Retirees Not Receiving Benefits***	10
Total Active Employees and Retirees	315

*Reflects active employees eligible for PEBB program participation as of June 30, 2019.
**Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.
**This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future. No beneifts are allowed to them unless they choose to join in the future. In order to do so, they must show proof of countinuous medical coverage since their seperatin of employment with the State of Washington that meets the requirements set forth in Washington Administrative Code 182-12-205.

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, PSERS, TRS, SERS, WSPRS, Higher Education, Judicial, and LEOFF 2. However, not all employers who participate in these plans offer PEBB to retirees.

Benefits Provided. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue 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 2020, the average weighted implicit subsidy was valued at $372 per adult unit per month. In calendar year 2021, the average weighted implicit subsidy is projected to be $384 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. In calendar year 2021, the explicit subsidy was up to $183 per member per month and it will remain at $183 per member per month in calendar year 2022.

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

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

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

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

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

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

Total OPEB Liability. As of June 30, 2021, the state reported a total OPEB liability of $6.055 billion. The College's proportionate share of the total OPEB liability is $9,713,891. This liability was determined based on a measurement date of June 30, 2020.

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, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.75%
Projected Salary Changes	3.50% Plus Service-Based Salary Increases
Health Care Trend Rates*	Initial Rate Changes from abount 2-11% reaching an ultimate rate of approximately 4.3% in 2075
Post-Retirement Participation Percentage	65.00%
Percentage with Spouse Coverage	45.00%

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

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

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

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

Actuarial Valuation Date	6/30/2020
Actuarial Measurement Date	6/30/2020
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 3.50 percent for the June 30, 2019 measurement date and 2.21 percent for the June 30, 2020 measurement date.

Additional detail on assumptions and methods relied on for the preparation of this report for GASB Statement No. 75 can be found on OSA's website:
http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx

Changes in Total OPEB Liability

As of June 30, 2021, components of the calculation of total OPEB lability determined in accordance with GASB Statement No. 75 for the College are represented in the following table:

		Peninsula College
Proportionate Share (%)		**0.1604224714%**
Service Cost	$	403,098
Interest Cost		337,197
Differences Between Expected and Actual Experienc	$	(51,672)
Changes in Assumptions*	$	218,579
Changes of Benefit Terms	$	-
Benefit Payments	$	(160,545)
Changes in Proportionate Share	$	(646,215)
Other	$	(343,460)
Net Change in Total OPEB Liability	$	(243,018)
Total OPEB Liability - Beginning	$	9,956,909
Total OPEB Liability - Ending	**$**	**9,713,891**

*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 2.21 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

1% Decrease	Current Discount Rate	1% Increase
$ 11,761,126	$ 9,713,891	$ 8,119,826

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

Health Care Cost Trend Rate Sensitivity		
	Current	
1% Decrease	Discount Rate	1% Increase
$ 7,915,789	$ 9,713,891	$ 12,124,575

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

For the year ending June 30, 2021, the College will recognize OPEB expense of ($24,632). OPEB expense consists of the following elements:

Peninsula College	
Proportionate Share (%)	**0.1604224714%**
Service Cost	$ 403,098
Interest Cost	337,197
Amortization of Differences Between Expected and Actual Experience	29,776
Amortization of Changes in Assumptions	(316,679)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	(134,564)
Other Changes to Fiduciary Net Position	(343,460)
Total OPEB Expense	**$ (24,632)**

As of June 30, 2021, the deferred inflows and deferred outflows of resources for the College are as follows:

Peninsula College		
Proportionate Share (%)	**0.1604224714%**	
Deferred Inflows/Outflows of Resources	**Deferred Inflows**	**Deferred Outflows**
Difference between expected and actual experience	$ 213,107	$ 45,931
Changes in assumptions	667,960	2,290,939
Transactions subsequent to the measurement date	170,860	
Changes in proportion	-	967,397
Total Deferred Inflows/Outflows	**$ 1,051,927**	**$ 3,304,267**

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

Proportionate Share (%)		**0.1604224714%**
2022	$	(421,467)
2023	$	(421,467)
2024	$	(421,467)
2025	$	(421,467)
2026	$	(421,467)
Thereafter	$	(315,868)

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

Proportionate Share (%) 2019		**0.1715566975%**
Proportionate Share (%) 2020		**0.1604224714%**
Total OPEB Liability - Ending 2019	$	9,956,909
Total OPEB Liability - Beginning 2020 (chg in prop)		9,310,694
Total OPEB Liability Change in Proportion		(646,215)
Total Deferred Inflows/Outflows - 2019 (chg in prop)		(1,870,463)
Total Deferred Inflows/Outflows - 2020 (chg in prop)		(1,749,067)
Total Deferred Inflows/Outflows Change in Proportion		(121,396)
Total Change in Proportion	**$**	**(767,611)**

16. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summaries 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, 2021.

Expenses by Functional Classification		
Instruction	$	8,982,217
Academic Support Services		2,475,805
Student Services		4,314,406
Intitutional Support		3,873,771
Operation and Maintenance of Plant		1,992,929
Scholarships and other student financial aid		2,910,766
Auxiliary enterprises		1,050,417
Depreciation		2,484,357
Total operating expenses	**$**	**28,084,667**

17. Commitments and Contingencies

The College is engaged in various commitments 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 statements.

18. Related Parties

The Peninsula College Foundation is a non-profit corporation created for the purpose of providing student and program support to the College. The Peninsula College Foundation has equity stake in 202 Landlord LLC, a Washington limited liability company. In order to make use of the Federal Historic Tax Credits generated by the project, leasehold improvements made by the College to preserve and rehabilitate Building 202 at Fort Worden were purchased by 202 Landlord LLC in FY 2017 in exchange for a promissory note receivable in the amount of $5,543,211. Building 202 is leased by Peninsula College for an initial term of five years, with an initial annual lease amount of $241,200, which is recognized as other operating expense in the financial statements of the College. The lease shall automatically renew for two additional periods of five years each.

Notes to the Financial Statements

June 30, 2020

These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

Peninsula College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic education for adults, and community services. The College confers applied baccalaureate degrees, associates degrees, certificates and high school diplomas. It is governed by a five-member Board of Trustees appointed by the Governor and confirmed by the state Senate. The College is an agency of the State of Washington. The financial activity of the college is included in the State's Comprehensive Annual Financial Report.

The Peninsula College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1992 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to create access, excellence and success for the Peninsula College community by providing funds for students and programs. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the College or its students, the Foundation is considered a discrete component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39, and 14. A discrete component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2020, the Foundation distributed $878,875 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 1502 East Lauridsen Boulevard in Port Angeles or by calling 360-417-6400.

Basis of Presentation

The financial statements have been prepared in accordance with Governmental Accounting Standards Board 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 inflows, liabilities, deferred outflows, 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 the financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash includes cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash equivalents are defined as highly liquid investments with an original maturity of 90 days or less. Funds invested through the Washington State Treasurer's Local Government Investment Pool (LGIP) are reported as cash. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated for general operating needs of the College. The internal investment pool comprises cash.

Accounts Receivable

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

Inventories
Inventories, consisting primarily of merchandise for resale in the college bookstore, are valued at cost using the last-in, first-out inventory method, also known as LIFO.

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 rest with the College. As a result, the assets are included in the financial statements because excluding them would have been misleading to the reader.

Land, buildings, and equipment are recorded at cost, or if acquired by gift, 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. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, assets are capitalized as follows:

- all land
- buildings, building improvements, leasehold improvements, and infrastructure with a unit cost of $100,000 or more
- intangible assets and software with a unit cost of $1,000,000 or more
- all other assets with a unit cost of $5,000 or more or collections with a total cost of $5,000 or more

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 range from 15 to 50 years for buildings and improvements, 10 to 50 years for improvements other than buildings and infrastructure, 7 years for library resources, 2 to 10 years for most equipment and 11 to 40 years for heavy duty equipment.

In accordance with GASB Statement 42, 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 are related to the subsequent fiscal year. The college has recorded 2020 summer and fall quarter tuition and fees as unearned revenues.

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

Net Pension Liability
For purposes of measuring the net pension liability in accordance with GASB 68, *Accounting and Financial Reporting for Pensions*, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of Washington Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) and additions to/deductions from PERS's and TRS's fiduciary net position have been determined on the same basis as they are reported by PERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Beginning in FY 17, the College also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68.* The reporting requirements are similar to GASB 68 but use current fiscal year end as the measurement date for reporting the pension liabilities.

Other Postemployment Benefits (OPEB) Liability
In FY 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 category represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- *Restricted for Expendable.* This category includes resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.
- *Unrestricted.* This category represents resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

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

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 have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts.

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

Non-operating Revenues: This includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, Federal Pell and CARES grant revenue, state appropriations, and investment income.

Non-operating Expense: Non-operating expenses include state remittances related to the building fee and the innovation fee, along with interest incurred on the Certificate of Participation loans.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on 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 $2,048,092.

State Appropriations

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

Building and Innovation Fee Remittance

Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years among the Community and Technical Colleges. 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 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 Standards 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 will be in effect beginning fiscal year 2021. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The College is following the State's Office of Financial Management directives to prepare for the implementation of this Statement. GASB 95 has postponed the effective date to the year ending June 30, 2022.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the fiscal year ending June 30, 2021. This Statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, these costs will no longer be included in the capitalized cost of capital assets reported by the College. The Statement will be applied on a prospective basis and the interest costs capitalized prior to implementation will continue to be recognized as those assets are depreciated. GASB 95 has postponed the effective date to the year ending June 30, 2022.

ERP Implementation

In May 2020, the College implemented a new ERP system called ctcLink. The SBCTC managed the implementation of the delivered software solution (PeopleSoft 9.2) driven by the need to replace the 35-plus-year-old legacy system at all 34 community and technical colleges by the end of 2022. This comprehensive solution provides a single, centralized system of online functions to give students, faculty and staff anytime, anywhere access to a modern, efficient way of doing their college business including student finances, accounting, purchasing and payroll. Business processes, accounting procedures and internal controls have been modified to accommodate the new system but there were no material changes to the financial statements as a result of the implementation.

3. Cash

Cash includes bank demand deposits, petty cash held at the College and unit shares in the Local Government Investment Pool (LGIP). The LGIP is limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both the market and credit risk. The LGIP is an unrated investment pool.

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 amortized cost, which approximates fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates. For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

The LGIP portfolio is invested in a manner that meets the requirements set forth by the Governmental Accounting Standards Board for the maturity, quality, diversification and liquidity for external investment pools that wish to measure all of its investments at amortized costs. The LGIP transacts with its participants at a stable net asset value per share of one dollar, which results in the amortized cost reported equaling the number of shares in the LGIP.

The Office of the State Treasurer (OST) prepares a stand-alone LGIP financial report. A copy of the report is available from the OST, PO Box 40200, Olympia, Washington 98504-0200, or online at: http://tre.wa.gov/partners/for-local-governments/local-government-investment-pool-lgip/lgip-comprehensive-annual-financial-report/. In addition, more information is available regarding the LGIP in the Washington State Consolidated Annual Financial report, which can be found online at http://ofm.wa.gov/cafr/default.asp.

The College can contribute or withdraw funds in any amount from the LGIP on a daily basis. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The College adjusts its LGIP investment amounts monthly to reflect interest earnings as reported from the Office of the State Treasurer.

As of June 30, 2020, the carrying amount of the College’s cash was $6,804,201. The majority of restricted cash included in total cash consists of amounts restricted for institutional financial aid funds per RCW 28B.15.820 and construction retainage. The classification is represented in the table below.

Cash and Cash Equivalents	**June 30, 2020**
Bank Demand and Time Deposits	1,289,997
Restricted Cash	656,568
Local Government Investment Pool	4,852,502
Petty Cash and Change Funds	5,134
Total Cash and Cash Equivalents	**6,804,201**

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 Bank of America. 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).

4. Receivables

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

At June 30, 2020, accounts receivable were as follows:

Accounts Receivable	Amount
Student Tuition and Fees	269,558
Due from the Federal Government	69,853
Due from Other State Agencies	1,048,713
Due from Other Government	725,144
Auxiliary Enterpises	86,105
Other	765,135
Subtotal	2,964,507
Less Allowance for Uncollectible Accounts	(280,918)
Accounts Receivable, net	**2,683,589**

The Note Receivable relates to a promissory note received from 202 Landlord LLC on September 16, 2016 pertaining to leasehold improvements made to preserve and rehabilitate Building 202 at Fort Worden State Park in Jefferson County, Washington. The principal sum of $5,543,211, with an annual interest rate of 2.24% is payable quarterly with a term of 40 years. The borrower has the option of prepaying the principal amount due in whole or in part without penalty.

	Balance oustanding 6/30/19	Additions	Reductions	Balance oustanding 6/30/20	Current Portion
Note Receivable	5,294,813	-	(97,932)	5,196,881	96,230
Total	5,294,813	-	(97,932)	5,196,881	96,230

5. 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 $2,580,205.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Nondepreciable capital assets				
Land	371,368			371,368
Construction in Progress	-			-
Total nondepreciable assets	**371,368**	**-**	**-**	**371,368**
Depreciable capital assets				
Buildings	104,822,082	336,027		105,158,109
Other improvements and infrastructure	2,081,495			2,081,495
Equipment	4,028,562	119,710		4,148,272
Library resources	1,616,623	14,989		1,631,612
Subtotal depreciable capital assets	**112,548,762**	**470,726**	**-**	**113,019,488**
Less accumulated depreciation				
Buildings	20,076,291	2,091,433		22,167,724
Other improvements and infrastructure	1,646,656	215,828		1,862,485
Equipment	3,164,129	220,013		3,384,142
Library resources	1,456,508	52,930		1,509,438
Total accumulated depreciation	**26,343,584**	**2,580,205**	**-**	**28,923,789**
Total depreciable capital assets	**86,205,178**	**(2,109,479)**	**-**	**84,095,699**
Capital assets, net of accumulated depreciation	**86,576,546**	**(2,109,479)**	**-**	**84,467,067**

6. Accounts Payable and Accrued Liabilities

At June 30, 2020, accounts payable and accrued liabilities are the following:

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	258,040
Accounts Payable	393,442
Amounts Held for Others and Retainage	1,121,596
Total	1,773,078

7. Unearned Revenue

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

Unearned Revenue	Amount
2020 Summer & Fall Quarter Tuition & Fees	205,238
Total Unearned Revenue	205,238

8. Risk Management

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

The College, 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 $73,220. Cash reserves for unemployment compensation for all employees at June 30, 2020 were $173,111.

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 currently has elected to have coverage for two buildings. The College assumes its potential property losses for all other 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.

9. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time up to a certain amount. Pending an affirmative calendar year vote by all employees in their employment group, during which the period including the fiscal year July 1, 2019 through June 30, 2020 was affirmative, 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. Compensatory time is categorized as a current liability since it must be used before other leave. Accrued annual and sick leave are categorized as non-current liabilities for current employees except for those employees that have disclosed plans for termination or retirement during the first two months of the subsequent fiscal year which are categorized as current liabilities.

The accrued vacation leave totaled $750,788, and the accrued sick leave totaled $527,498 at June 30, 2020.

10. Leases Payable

The College has leases for office equipment with various vendors as well as a lease of instructional space in Building 202 at Fort Worden. The leases are classified as operating leases. The Fort Worden lease commenced on September 2016 and has an initial term of five years. The lease shall automatically renew for two additional periods of five years each. As of June 30, 2020, the minimum lease payments under operating leases consist of the following:

Fiscal Year	Equipment	Instructional Space	Total Operating Leases
2021	11,894	241,200	253,094
2022	5,500	40,200	45,700
2023	-	-	-
2024	-	-	-
2025	-	-	-
Total minimum lease payments	**17,394**	**281,400**	**298,794**

11. Notes Payable

In August 2012, the College obtained financing in order to build the Wellness Center Addition to the Gymnasium through COP, issued by the OST in the amount of $710,000. Students assessed themselves, quarterly, a mandatory per credit fee to service the debt starting in 2012. The interest rate charged is 3.10%. Student fees related to this COP are accounted for in a dedicated fund.

In March 2011, the College obtained financing in order to install energy efficient upgrades to Keegan Hall through COP, issued by the OST in the amount of $378,149. The interest rate charged is 3.19%.

In April 2013, the College obtained financing in order to purchase and renovate the Forks Satellite Site through COP, issued by the OST in the amount of $1,945,000. The interest rate charged is 4.175%.

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

12. Annual Debt Service Requirements

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

	Certificates of Participation		
Fiscal Year	**Principal**	**Interest**	**Total**
2021	159,097	89,938	249,035
2022	125,000	83,306	208,306
2023	130,000	77,056	207,056
2024	130,000	70,556	200,556
2025	140,000	64,056	204,056
2026-2030	800,000	216,781	1,016,781
2031-2035	515,000	44,406	559,406
Total	1,999,097	646,101	2,645,198

13. Schedule of Long Term Liabilities

	Balance oustanding 6/30/19	Additions	Reductions	Balance oustanding 6/30/20	Current Portion
Certificates of Participation	2,151,498		(152,401)	1,999,097	159,097
Net Pension Liability	1,745,380		(389,645)	1,355,735	
Total Pension Liability	1,681,923	460,067		2,141,990	31,052
Total Other Post-Employment Benefits	8,722,092	1,234,817		9,956,909	171,687
Compensated Absences	1,433,844	99,968	(255,526)	1,278,286	23,163
Total	15,734,737	1,794,852	(797,572)	16,732,017	384,999

14. Pension 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 State of Washington Department of Retirement Services (DRS). The State Board Retirement Plan (SBRP) is a single employer defined contribution plan which includes supplemental payment, when required. The SBRP plan is administered by the State Board for Community and Technical Colleges (SBCTC) and is 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, and pension expense, information about the fiduciary net position of all plans and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 and No. 73 for Peninsula College, for fiscal year ending June 30, 2020:

Aggregate Pension Amounts – All Plans

Pension Liabilities	$	3,497,725
Deferred outflows of resources related to pensions	$	1,325,493
Deferred inflows of resources related to pensions	$	1,204,582
Pension expense/expenditures	$	248,613

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

The DRS administered systems that Peninsula College offers its employees are comprised of four defined benefit pension plans and two defined benefit/defined contribution plans. Below are the DRS plans that the College offers its employees:

- 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 systems and plans was funded by an employer rate of 0.18% 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 DRS.

The DRS prepares a stand-alone financial report that is compliant with the retirements of Statement 67 of the Governmental Accounting Standards Board. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at http://www.drs.wa.gov/administration/annual-report

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

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

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

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

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

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

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

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

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

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months. PERS 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; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. 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.

TRS

Plan Description.

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

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

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

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

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

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

TRS Plan 2 retirement benefits 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. TRS Plan 2 members have the option to retire early with reduced benefits. The AFC is the average of the member's 60 highest paid consecutive months.

TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of the service are earned after age 44; or after five service credit years earned in TRS Plan 2 by July 1, 1996. Plan 3 members are immediately vested in the defined contribution portion of their plan. 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	$ 173,602	$ 289,915	$ 20,131	$ 22,813

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

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of June 30, 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.

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
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 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.

Pension Expense

Pension expense is included as part of Employee Benefits expense in the Statement of Revenues, Expenses and Changes in Net Position. The table below shows the components of each pension plans expense as it effected employee benefits:

	Pension Expense
PERS 1	54,720
PERS 2/3	78,124
TRS 1	(17,390)
TRS 2/3	15,743

Total	**131,197**

Changes in Proportionate Shares of Pension Liabilities

The changes to the College's proportionate share of pension liabilities from 2018 to 2019 for each retirement plan are listed below:

	2018	2019	Change
PERS 1	.024640%	.024836%	0.000196
PER 2/3	.029991%	.030981%	0.000990
TRS 1	.003933%	.003237%	-0.000696
TRS 2/3	.004002%	.003258%	-0.000744

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 in relation to the projected contributions of all participating state agencies, actuarially determined.

Discount Rate

The discount rate used to measure the net pension liability was 7.40 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed assets sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test.

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

Sensitivity of the net pension liability to changes in the discount rate

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

Pension Plan	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS Plan 1	1,196,005	955,032	745,957
PERS Plan 2/3	2,308,020	300,931	(1,346,018)

TRS Plan 1	102,430	80,142	60,808
TRS Plan 2/3	106,984	19,631	(51,394)

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 $1,355,736 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	955,032
PERS 2/3	300,931
TRS 1	80,142
TRS 2/3	19,631

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

The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2020:

	PERS 1		PERS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience			86,217	64,698
Difference between projected and actual earnings of pension plan investments		63,804	-	438,033
Changes of Assumptions			7,706	126,261
Changes in College's proportionate share of pension liabilities			78,618	47,064
Contributions to pension plans after measurement date	174,722		287,963	-
	174,722	63,804	460,504	676,056

	TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience			13,649	632
Difference between projected and actual earnings of pension plan investments		6,146	-	16,948
Changes of Assumptions			7,401	5,216
Changes in College's proportionate share of pension liabilities			15,422	5,504
Contributions to pension plans after measurement date	20,136		22,815	-
	20,136	6,146	59,288	28,299

The $505,686 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	(14,085)	(126,302)	(1,262)	1,741
2022	(33,364)	(217,768)	(3,300)	(3,993)
2023	(11,906)	(92,657)	(1,160)	(476)
2024	(4,449)	(46,314)	(425)	1,270
2025	-	(25,770)	-	2,699
Thereafter		5,297	-	6,932
	(63,804)	(503,515)	(6,146)	8,173

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

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

Plan Description

The State Board Retirement Plan is a privately administered single-employer defined contribution plan with a supplemental defined benefit plan component 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. The 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 (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 $774,572.

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

As of July 1, 2011, Higher Education Supplemental Retirement Plans were closed to new entrants.

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

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2020, supplemental benefits were paid by the SBCTC on behalf of the colleges in the amount of $1,785,348. The College's share of the amount was $26,072. 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 FY 2020, the College paid into this fund at a rate of 0.5% of covered salaries totaling $39,943. This amount was not used as a part of GASB 73 calculations as its status as an asset has not been determined by the Legislature. As of June 30, 2020, the Community and Technical College system accounted for $23,208,875 of the fund balance.

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

Salary increases	3.50% - 4.25%
Fixed income and Variable income Investment Returns*	4.25% - 6.50%

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

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

Most actuarial assumptions used in the June 30, 2018, valuation were based on the results of the April 2016 Supplemental Plan Experience Study. Additional assumptions related to the fixed income and variable income investments were based on feedback from financial administrations 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-year 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 assumer income.

Pension Expense

Pension Expense for the fiscal year ending June 30, 2020 was $117,416.

Proportionate Share (%)	**1.46036%**
Service Cost	$ 51,352
Interest Cost	57,766
Amortization of Differences Between Expected and Actual Experience	(36,941)
Amortization of Changes of Assumptions	54,042
Changes of Benefit Terms	-
Administrative Expenses	-
Other Changes in Fiduciary Net Position	-
Proportionate Share of Collective Pension Expense	**126,219**
Amortization of the Change in Proportionate Share of TPL	(8,803)
Total Pension Expense	**$ 117,416**

Proportionate Shares of Pension Liabilities

The College's proportionate share of pension liabilities for fiscal year ending June 30, 2020 was 1.46%. 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 colleges. 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	**1.52%**
Proportionate Share (%) 2020	**1.46%**
Total Pension Liability - Ending 2019	1,681,923
Total Pension Liability - Beginning 2020	1,612,017
Total Pension Liability - Change in Proportion	(69,906)
Total Deferred Inflow/Outflows - 2019	201,070
Total Deferred Inflow/Outflows - 2020	192,713
Total Deferred Inflows/Outflows - Change in Proportion	(8,357)
Total Change in Proportion	**$ (78,263)**

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	Inactive Members (Or Beneficiaries) Curently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
State Board Suppl Retirement Plan	10	12	81	103

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)	
Service Cost	$ 51,352
Interest	57,766
Changes in benefit terms	-
Differences between expected and actual experience	121,713
Changes of assumptions	325,214
Change in Proportionate Share of TPL	(69,907)
Benefit Payments	(26,072)
Other	-
Net Change in Pension Liability	460,066
Total Pension Liability - Beginning	1,681,923
Total Pension Liability - Ending	**$ 2,141,989**

Sensitivity of the Total Pension Liability to Changes in the Discount Rate
The following table presents the total pension liability, calculated using the discount rate of 3.50 percent, as well as what the employers' total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

Total Pension Liability/(Asset)	1% Decrease	Current Discount Rate	1% Increase
Peninsula College	2,463,102	2,141,990	1,877,424

Deferred Outflows of Resources and Deferred 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 of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 173,112	$ 270,205
Changes of assumptions	407,688	73,482
Changes in College's proportionate share of pension liability	29,993	86,591
Transactions subsequent to the measurement date	-	-
Total	$ 610,793	$ 430,277

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:

Peninsula College	
2021	8,298
2022	8,298
2023	8,298
2024	32,365
2025	68,480
Thereafter	54,781

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

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

The PEBB OPEB plan is administered by the state and is funded on a pay-as-you-go basis. In the state CAFR the plan is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. It has no assets. The PEBB OPEB plan 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 state consisted of the following:

Summary of Plan Participants
As of June 30, 2019

Active Employees*	215
Retirees Receiving Benefits**	90
Retirees Not Receiving Benefits***	10
Total Active Employees and Retirees	315

*Reflects active employees eligible for PEBB program participation as of June 30, 2019.
**Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.
**This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future. No beneifts are allowed to them unless they choose to join in the future. In order to do so, they must show proof of countinuous medical coverage since their seperatin of employment with the State of Washington that meets the requirements set forth in Washington Administrative Code 182-12-205.

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, PSERS, TRS, SERS, WSPRS, Higher Education, Judicial, and LEOFF 2. However, not all employers who participate in these plans offer PEBB to retirees.

Benefits Provided. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue 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 unity 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. In calendar year 2020, the explicit subsidy was up to $183 per member per month and it will remain at $183 per member per month in calendar year 2021.

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

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

The estimated monthly cost for PEBB benefits for each active employees (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		1,025
Employee contribution		162
Total	$	1,187

*Per 2020 PEBB Financial Projection Model 7.0. 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:
http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx

Total OPEB Liability. As of June 30, 2020, the state reported a total OPEB liability of $5.084 billion. The College's proportionate share of the total OPEB liability is $9,956,909. 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, 2019, 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	65.00%
Percentage with Spouse Coverage	45.00%

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

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

Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based on the results of the 2007-2012 Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage, were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2017 Economic Experience Study.

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

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 3.50 percent for the June 30, 2019 measurement date.

Additional detail on assumptions and methods relied on for the preparation of this report for GASB Statement No. 75 can be found on OSA's website:
http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx

Changes in Total OPEB Liability

As of June 30, 2020, components of the calculation of total OPEB lability determined in accordance with GASB Statement No. 75 for the College are represented in the following table:

Peninsula College		
Proportionate Share (%)		**0.1715566975%**
Service Cost	$	403,161
Interest Cost		349,719
Differences Between Expected and Actual Experienc	$	-
Changes in Assumptions*	$	651,268
Changes of Benefit Terms	$	-
Benefit Payments	$	(159,975)
Changes in Proportionate Share	$	(9,357)
Other	$	-
Net Change in Total OPEB Liability	$	1,234,816
Total OPEB Liability - Beginning	$	8,722,093
Total OPEB Liability - Ending	**$**	**9,956,909**

*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 3.50 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 (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

Discount Rate Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
$ 12,057,484	$ 9,956,909	$ 8,325,385

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
$ 8,058,606	$ 9,956,909	$ 12,511,737

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 $376,958. OPEB expense consists of the following elements:

Peninsula College	
Proportionate Share (%)	**0.1715566975%**
Service Cost	$ 403,161
Interest Cost	349,719
Amortization of Differences Between Expected and Actual Experience	37,983
Amortization of Changes in Assumptions	(364,631)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	(49,274)
Administrative Expenses	-
Total OPEB Expense	**$ 376,958**

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

Peninsula College		
Proportionate Share (%)	**0.1715566975%**	
Deferred Inflows/Outflows of Resources	**Deferred Inflows**	**Deferred Outflows**
Difference between expected and actual experience	$ 265,881	$ -
Changes in assumptions	578,906	2,886,937
Transactions subsequent to the measurement date	171,687	
Changes in proportion	-	334,350
Total Deferred Inflows/Outflows	**$ 1,016,474**	**$ 3,221,287**

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:

Proportionate Share (%)	**0.1715566975%**
2021	$ (375,922)
2022	$ (375,922)
2023	$ (375,922)
2024	$ (375,922)
2025	$ (375,922)
Thereafter	$ (496,890)

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

Proportionate Share (%) 2018	**0.1717409534%**
Proportionate Share (%) 2019	**0.1715566975%**
Total OPEB Liability - Ending 2018	$ 8,722,093
Total OPEB Liability - Beginning 2019 (chg in prop)	8,712,736
Total OPEB Liability Change in Proportion	(9,357)
Total Deferred Inflows/Outflows - 2018 (chg in prop)	(2,863,164)
Total Deferred Inflows/Outflows - 2019 (chg in prop)	(2,860,092)
Total Deferred Inflows/Outflows Change in Proportion	(3,072)
Total Change in Proportion	**$ (12,429)**

16. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summaries 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		
Instruction	$	9,562,777
Academic Support Services		2,403,861
Student Services		4,252,597
Intitutional Support		4,763,310
Operation and Maintenance of Plant		1,971,727
Scholarships and other student financial aid		4,142,992
Auxiliary enterprises		1,429,069
Depreciation		2,580,205
Total operating expenses	**$**	**31,106,537**

17. Commitments and Contingencies
The College is engaged in various commitments 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 statements.

18. Related Parties
The Peninsula College Foundation is a non-profit corporation created for the purpose of providing student and program support to the College. The Peninsula College Foundation has equity stake in 202 Landlord LLC, a Washington limited liability company. In order to make use of the Federal Historic Tax Credits generated by the project, leasehold improvements made by the College to preserve and rehabilitate Building 202 at Fort Worden were purchased by 202 Landlord LLC in FY 2017 in exchange for a promissory note receivable in the amount of $5,543,211. Building 202 is leased by Peninsula College for an initial term of five years, with an initial annual lease amount of $241,200, which is recognized as other operating expense in the financial statements of the College. The lease shall automatically renew for two additional periods of five years each.

19. Subsequent Events

The 2019 Novel Coronavirus (or “COVID-19”) has adversely affected, and may continue to adversely affect, economic activity globally, nationally and locally. In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The extent of the impact of the outbreak on the College’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the College’s employees, vendors, and governmental, regulatory, and private sector responses. The full extent of the economic uncertainty caused by COVID-19 on the College’s financial statements in future periods is not yet determinable.

In March 2020, in response to the Executive Orders of Governor Inslee and in an effort to minimize the risk of COVID-19, the College transitioned to remote learning and cancelled all in person activities. Revenue for spring and subsequent quarters has been at approximately 80% of budget, as a direct result of COVID and the loss of in-person learning. The estimated impact of that is approximately $1.5 million between spring 2020, and the subsequent quarters. The College instituted a variety of cost reduction measures as a result of the pandemic and is poised to enact additional cost reduction measures as necessary during the upcoming fiscal year.

Prior to fiscal year-end, the College received federal CARES Act Awards totaling $1.16 million. The student emergency assistance portion of federal CARES Act funds, $580,220, have been distributed directly to students as emergency financial aid grants as required under the federal program. The institutional assistance portion, totaling $580,219, will be used to cover the costs associated with moving to online learning, as well as costs of supporting our students during the time. Additionally, in January and May of 2021, the College was awarded more CARES grant funding. The new awards include an additional $2.7 million for student emergency assistance, and an additional $3.6 million for institutional support to offset revenue loss and costs incurred that are associated with the impacts of COVID.

The degree of future impacts to the College's operations and finances are extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its duration, severity, ultimate geographic spread, as well as actions by other governmental authorities including limitations on public assemblies and gatherings. The College continues to closely monitor and respond to COVID-19.

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Peninsula College's Proportionate Share of the Net Pension Liability

Schedule of Peninsula College's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1
Measurement Date of June 30, 2020

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.026586%	$ 1,339,282	$ 2,673,655	50.09%	61.19%
2015	0.025904%	$ 1,355,020	$ 2,763,035	49.04%	59.10%
2016	0.025437%	$ 1,366,049	$ 2,917,536	46.82%	57.03%
2017	0.026626%	$ 1,263,430	$ 3,195,795	39.53%	61.24%
2018	0.024640%	$ 1,100,431	$ 3,180,379	34.60%	63.22%
2019	0.024836%	$ 955,032	$ 3,437,369	27.78%	67.12%
2020	0.024115%	$ 851,390	$ 3,655,590	23.29%	68.64%
2021					
2022					
2023					

*This schedule will continue to be built until it contains 10 years of data.

Cost Sharing Employer Plans

Schedules of Peninsula College's Proportionate Share of the Net Pension Liability

Schedule of Peninsula College's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date of June 30, 2020					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.028662%	$ 579,363	$ 2,463,094	23.52%	93.29%
2015	0.029095%	$ 1,039,581	$ 2,590,688	40.13%	89.20%
2016	0.029602%	$ 1,490,417	$ 2,798,109	53.27%	85.82%
2017	0.031570%	$ 1,096,919	$ 3,083,934	35.57%	90.97%
2018	0.029991%	$ 512,070	$ 3,110,241	16.46%	95.77%
2019	0.030981%	$ 300,931	$ 3,381,297	8.90%	97.77%
2020	0.031258%	$ 399,772	$ 3,660,717	10.92%	97.22%
2021					
2022					
2023					

*This schedule will continue to be built until it contains 10 years of data.

Cost Sharing Employer Plans

Schedules of Peninsula College's Proportionate Share of the Net Pension Liability

Schedule of Peninsula College's Proportionate Share of the Net Pension Liability

Teachers' Retirement System (TRS) Plan 1

Measurement Date of June 30, 2020

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.000806%	$ 23,773	$ 36,681	64.81%	68.77%
2015	0.000852%	$ 26,993	$ 42,123	64.08%	65.70%
2016	0.002600%	$ 88,763	$ 130,249	68.15%	62.07%
2017	0.003451%	$ 104,327	$ 193,563	53.90%	65.58%
2018	0.003933%	$ 114,867	$ 233,781	49.13%	66.52%
2019	0.003237%	$ 80,142	$ 217,809	36.79%	70.37%
2020	0.003834%	$ 92,353	$ 280,174	32.96%	70.55%
2021					
2022					
2023					

*This schedule will continue to be built until it contains 10 years of data.

Required Supplementary Information (continued)

Cost Sharing Employer Plans

Schedules of Peninsula College's Proportionate Share of the Net Pension Liability

Schedule of Peninsula College's Proportionate Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30, 2020					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.000870%	$ 2,810	$ 36,681	7.66%	96.81%
2015	0.000907%	$ 7,653	$ 42,123	18.17%	92.48%
2016	0.002643%	$ 36,296	$ 130,249	27.87%	88.72%
2017	0.003535%	$ 32,628	$ 193,563	16.86%	93.14%
2018	0.004002%	$ 18,014	$ 233,781	7.71%	96.88%
2019	0.003258%	$ 19,631	$ 217,809	9.01%	96.36%
2020	0.003921%	$ 60,226	$ 280,174	21.50%	91.72%
2021					
2022					
2023					

*This schedule will continue to be built until it contains 10 years of data.

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Peninsula College's Proportionate Share of the Net Pension Liability

Schedule of Peninsula College's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 1 Measurement Date of June 30, 2019					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.026586%	$ 1,339,282	$ 2,673,655	50.09%	61.19%
2015	0.025904%	$ 1,355,020	$ 2,763,035	49.04%	59.10%
2016	0.025437%	$ 1,366,049	$ 2,917,536	46.82%	57.03%
2017	0.026626%	$ 1,263,430	$ 3,195,795	39.53%	61.24%
2018	0.024640%	$ 1,100,431	$ 3,180,379	34.60%	63.22%
2019	0.024836%	$ 955,032	$ 3,437,369	27.78%	67.12%
2020					
2021					
2022					
2023					

*This schedule will continue to be built until it contains 10 years of data.

Required Supplementary Information (continued)

Cost Sharing Employer Plans

Schedules of Peninsula College's Proportionate Share of the Net Pension Liability

Schedule of Peninsula College's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date of June 30, 2019					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.028662%	$ 579,363	$ 2,463,094	23.52%	93.29%
2015	0.029095%	$ 1,039,581	$ 2,590,688	40.13%	89.20%
2016	0.029602%	$ 1,490,417	$ 2,798,109	53.27%	85.82%
2017	0.031570%	$ 1,096,919	$ 3,083,934	35.57%	90.97%
2018	0.029991%	$ 512,070	$ 3,110,241	16.46%	95.77%
2019	0.030981%	$ 300,931	$ 3,381,297	8.90%	97.77%
2020					
2021					
2022					
2023					

*This schedule will continue to be built until it contains 10 years of data.

Cost Sharing Employer Plans

Schedules of Peninsula College's Proportionate Share of the Net Pension Liability

Schedule of Peninsula College's Proportionate Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 1 Measurement Date of June 30, 2019					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.000806%	$ 23,773	$ 36,681	64.81%	68.77%
2015	0.000852%	$ 26,993	$ 42,123	64.08%	65.70%
2016	0.002600%	$ 88,763	$ 130,249	68.15%	62.07%
2017	0.003451%	$ 104,327	$ 193,563	53.90%	65.58%
2018	0.003933%	$ 114,867	$ 233,781	49.13%	66.52%
2019	0.003237%	$ 80,142	$ 217,809	36.79%	70.37%
2020					
2021					
2022					
2023					

*This schedule will continue to be built until it contains 10 years of data.

Required Supplementary Information (continued)

Cost Sharing Employer Plans

Schedules of Peninsula College's Proportionate Share of the Net Pension Liability

Schedule of Peninsula College's Proportionate Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30, 2019					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.000870%	$ 2,810	$ 36,681	7.66%	96.81%
2015	0.000907%	$ 7,653	$ 42,123	18.17%	92.48%
2016	0.002643%	$ 36,296	$ 130,249	27.87%	88.72%
2017	0.003535%	$ 32,628	$ 193,563	16.86%	93.14%
2018	0.004002%	$ 18,014	$ 233,781	7.71%	96.88%
2019	0.003258%	$ 19,631	$ 217,809	9.01%	96.36%
2020					
2021					
2022					
2023					

*This schedule will continue to be built until it contains 10 years of data.

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Employer Contributions

Schedule of Employer Contributions
Public Employees' Retirement System (PERS) Plan 1
Fiscal Year Ended June 30, 2021

Fiscal Year	Contractually Required Contributions	Contributions related to covered payroll of employees Participating in PERS plan 1	Contributions related to covered payroll of employees Participating in PERS plan 2/3	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll of employees participating in PERS 1	Covered payroll of employees participating in PERS 2/3	Total Covered payroll	Contributions as a percentage of covered payroll
2014	$ 117,677	$ 19,141	$ 98,536	$ 117,677	$ -	$ 210,561	$ 2,463,094	$ 2,673,655	4.40%
2015	$ 119,454	$ 15,563	$ 103,891	$ 119,454	$ -	$ 172,347	$ 2,590,688	$ 2,763,035	4.32%
2016	$ 146,362	$ 13,137	$ 133,225	$ 146,362	$ -	$ 119,427	$ 2,798,109	$ 2,917,536	5.02%
2017	$ 159,343	$ 12,305	$ 147,038	$ 159,343	$ -	$ 111,862	$ 3,083,934	$ 3,195,795	4.99%
2018	$ 165,240	$ 8,781	$ 156,459	$ 165,240	$ -	$ 70,138	$ 3,110,671	$ 3,180,809	5.19%
2019	$ 180,044	$ 7,077	$ 172,967	$ 180,044	$ -	$ 56,072	$ 3,381,297	$ 3,437,369	5.24%
2020	$ 173,602	$ (649)	$ 174,251	$ 173,602	$ -	$ (5,127)	$ 3,660,717	$ 3,655,590	4.75%
2021	$ 186,908	$ -	$ 186,908	$ 186,908	$ -	$ -	$ 3,850,292	$ 3,850,292	4.85%
2022									
2023									

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

Cost Sharing Employer Plans

Schedules of Employer Contributions

Schedule of Employer Contributions Public Employees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30, 2021					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 121,079	$ 121,079	$ -	$ 2,463,094	4.92%
2015	$ 130,145	$ 130,145	$ -	$ 2,590,688	5.02%
2016	$ 174,001	$ 174,001	$ -	$ 2,798,109	6.22%
2017	$ 192,041	$ 192,041	$ -	$ 3,083,934	6.23%
2018	$ 232,942	$ 232,942	$ -	$ 3,110,671	7.49%
2019	$ 254,126	$ 254,126	$ -	$ 3,381,297	7.52%
2020	$ 289,915	$ 289,915	$ -	$ 3,660,717	7.92%
2021	$ 304,944	$ 304,944	$ -	$ 3,850,292	7.92%
2022					
2023					

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

Required Supplementary Information (continued)

Cost Sharing Employer Plans

Schedules of Employer Contributions

Schedule of Employer Contributions
Teachers' Retirement System (TRS) Plan 1
Fiscal Year Ended June 30, 2021

Fiscal Year	Contractually Required Contributions	Contributions related to covered payroll of employees Participating in TRS plan 1	Contributions related to covered payroll of employees Participating in TRS plan 2/3	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll of employees participating in TRS 1	Covered payroll of employees participating in TRS 2/3	Total Covered payroll	Contributions as a percentage of covered payroll
2014	$ 1,595	$ -	$ 1,595	$ 1,595	$ -	$ -	$ 36,681	$ 36,681	4.35%
2015	$ 1,912	$ -	$ 1,912	$ 1,912	$ -	$ -	$ 42,123	$ 42,123	4.54%
2016	$ 7,913	$ -	$ 7,913	$ 7,913	$ -	$ -	$ 130,249	$ 130,249	6.08%
2017	$ 12,059	$ -	$ 12,059	$ 12,059	$ -	$ -	$ 193,563	$ 193,563	6.23%
2018	$ 16,371	$ -	$ 16,371	$ 16,371	$ -	$ -	$ 231,717	$ 231,717	7.06%
2019	$ 16,102	$ -	$ 16,102	$ 16,102	$ -	$ -	$ 217,809	$ 217,809	7.39%
2020	$ 20,131	$ -	$ 20,131	$ 20,131	$ -	$ -	$ 280,174	$ 280,174	7.19%
2021	$ 24,572	$ -	$ 24,572	$ 24,572	$ -	$ -	$ 332,402	$ 332,402	7.39%
2022									
2023									

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

Cost Sharing Employer Plans

Schedules of Employer Contributions

Schedule of Employer Contributions
Teachers' Retirement System (TRS) Plan 2/3
Fiscal Year Ended June 30, 2021

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 2,134	$ 2,134	$ -	$ 36,681	5.82%
2015	$ 2,417	$ 2,417	$ -	$ 42,123	5.74%
2016	$ 8,638	$ 8,638	$ -	$ 130,249	6.63%
2017	$ 13,008	$ 13,008	$ -	$ 193,563	6.72%
2018	$ 17,809	$ 17,809	$ -	$ 231,717	7.69%
2019	$ 17,054	$ 17,054	$ -	$ 217,809	7.83%
2020	$ 22,813	$ 22,813	$ -	$ 280,174	8.14%
2021	$ 27,091	$ 27,091	$ -	$ 332,402	8.15%
2022					
2023					

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

Required Supplementary Information (continued)

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Employer Contributions

Schedule of Employer Contributions
Public Employees' Retirement System (PERS) Plan 1
Fiscal Year Ended June 30, 2020

Fiscal Year	Contractually Required Contributions	Contributions related to covered payroll of employees Participating in PERS plan 1	Contributions related to covered payroll of employees Participating in PERS plan 2/3	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll of employees participating in PERS 1	Covered payroll of employees participating in PERS 2/3	Total Covered payroll	Contributions as a percentage of covered payroll
2014	$ 117,677	$ 19,141	$ 98,536	$ 117,677	$ -	$ 210,561	$ 2,463,094	$ 2,673,655	4.40%
2015	$ 119,454	$ 15,563	$ 103,891	$ 119,454	$ -	$ 172,347	$ 2,590,688	$ 2,763,035	4.32%
2016	$ 146,362	$ 13,137	$ 133,225	$ 146,362	$ -	$ 119,427	$ 2,798,109	$ 2,917,536	5.02%
2017	$ 159,343	$ 12,305	$ 147,038	$ 159,343	$ -	$ 111,862	$ 3,083,934	$ 3,195,795	4.99%
2018	$ 165,240	$ 8,781	$ 156,459	$ 165,240	$ -	$ 70,138	$ 3,110,671	$ 3,180,809	5.19%
2019	$ 180,044	$ 7,077	$ 172,967	$ 180,044	$ -	$ 56,072	$ 3,381,297	$ 3,437,369	5.24%
2020	$ 173,602	$ (649)	$ 174,251	$ 173,602	$ -	$ (5,127)	$ 3,660,717	$ 3,655,590	4.75%
2021									
2022									
2023									

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

Cost Sharing Employer Plans

Schedules of Employer Contributions

Schedule of Employer Contributions
Public Employees' Retirement System (PERS) Plan 2/3
Fiscal Year Ended June 30, 2020

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 121,079	$ 121,079	$ -	$ 2,463,094	4.92%
2015	$ 130,145	$ 130,145	$ -	$ 2,590,688	5.02%
2016	$ 174,001	$ 174,001	$ -	$ 2,798,109	6.22%
2017	$ 192,041	$ 192,041	$ -	$ 3,083,934	6.23%
2018	$ 232,942	$ 232,942	$ -	$ 3,110,671	7.49%
2019	$ 254,126	$ 254,126	$ -	$ 3,381,297	7.52%
2020	$ 289,915	$ 289,915	$ -	$ 3,660,717	7.92%
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Employer Contributions

Schedule of Employer Contributions
Teachers' Retirement System (TRS) Plan 1
Fiscal Year Ended June 30, 2020

Fiscal Year	Contractually Required Contributions	Contributions related to covered payroll of employees Participating in TRS plan 1	Contributions related to covered payroll of employees Participating in TRS plan 2/3	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll of employees participating in TRS 1	Covered payroll of employees participating in TRS 2/3	Total Covered payroll	Contributions as a percentage of covered payroll
2014	$ 1,595	$ -	$ 1,595	$ 1,595	$ -	$ -	$ 36,681	$ 36,681	4.35%
2015	$ 1,912	$ -	$ 1,912	$ 1,912	$ -	$ -	$ 42,123	$ 42,123	4.54%
2016	$ 7,913	$ -	$ 7,913	$ 7,913	$ -	$ -	$ 130,249	$ 130,249	6.08%
2017	$ 12,059	$ -	$ 12,059	$ 12,059	$ -	$ -	$ 193,563	$ 193,563	6.23%
2018	$ 16,371	$ -	$ 16,371	$ 16,371	$ -	$ -	$ 231,717	$ 231,717	7.06%
2019	$ 16,102	$ -	$ 16,102	$ 16,102	$ -	$ -	$ 217,809	$ 217,809	7.39%
2020	$ 20,131	$ -	$ 20,131	$ 20,131	$ -	$ -	$ 280,174	$ 280,174	7.19%
2021									
2022									
2023									

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

Cost Sharing Employer Plans

Schedules of Employer Contributions

Schedule of Employer Contributions
Teachers' Retirement System (TRS) Plan 2/3
Fiscal Year Ended June 30, 2020

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 2,134	$ 2,134	$ -	$ 36,681	5.82%
2015	$ 2,417	$ 2,417	$ -	$ 42,123	5.74%
2016	$ 8,638	$ 8,638	$ -	$ 130,249	6.63%
2017	$ 13,008	$ 13,008	$ -	$ 193,563	6.72%
2018	$ 17,809	$ 17,809	$ -	$ 231,717	7.69%
2019	$ 17,054	$ 17,054	$ -	$ 217,809	7.83%
2020	$ 22,813	$ 22,813	$ -	$ 280,174	8.14%
2021					
2022					
2023					

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

State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Net Pension Liability and Related Ratios
Peninsula College
Fiscal Year Ended June 30, 2021

	2017	2018	2019	2020	2021
Total Pension Liability					
Service Cost	$ 82,060	$ 57,027	$ 43,447	$ 51,352	$ 64,163
Interest	53,232	52,407	52,553	57,766	45,636
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(383,804)	(155,002)	99,082	121,713	(411,743)
Changes of assumptions	(90,588)	(52,437)	186,302	325,214	(743,117)
Benefit Payments		(19,372)	29,265	(26,072)	(27,357)
Change in Proportionate Share	(13,664)	(23,516)	(27,706)	(69,907)	(127,625)
Other	-	-	-	-	-
Net Change in Total Pension Liability	**(352,765)**	**(140,892)**	**382,943**	**460,066**	**$(1,200,043)**
Total Pension Liability - Beginning	1,792,636	1,439,871	1,298,979	1,681,922	2,141,990
Total Pension Liability - Ending (a)	**$ 1,439,871**	**$ 1,298,979**	**$ 1,681,922**	**$ 2,141,988**	**$ 941,947**
Plan Fiduciary Net Position**					
Contributions-Employer	n/a	n/a	n/a	n/a	$ 9,009
Contributions - Member	n/a	n/a	n/a	n/a	-
Net Investment Income	n/a	n/a	n/a	n/a	112,765
Benefit Payments	n/a	n/a	n/a	n/a	
Administrative Expense	n/a	n/a	n/a	n/a	
Other	n/a	n/a	n/a	n/a	
Net Change in Plan Fiduciarey Net Position					**$ 121,774**
Plan Fiduciary Net Position-Beginning					321,267
Plan Fiducairy Net Position-Ending (b)					**$ 443,041**
Plan's Net Pension Liability (Asset) -- Ending (a)-(b)	**$ 1,439,871**	**$ 1,298,979**	**$ 1,681,922**	**$ 2,141,988**	**$ 498,906**
College's Proportion of the Pension Liability	1.51%	1.49%	1.52%	1.46%	1.37%
Covered-employee payroll	$ 8,470,170	$ 8,513,535	$ 8,856,797	$ 8,872,769	$ 9,226,035
Total Pension Liability as a percentage of covered-employee payroll	17.0%	15.3%	19.0%	24.1%	10.2%

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

n/a indicates data not available

**Due to changes in legislation, assets from this higher education institution plan that was previously not administered through a trust, was placed into a trust or similar arrangement. As a result, this plan previously reported under GASB Statement No. 73, is now reported under GASB Statement No. 68. This change is effective for fiscal year 2021.

State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Total Pension Liability and Related Ratios Peninsula College Fiscal Year Ended and Measurement Date June 30, 2020				
	2017	2018	2019	2020
Total Pension Liability				
Service Cost	$ 82,060	$ 57,027	$ 43,447	$ 51,352
Interest	53,232	52,407	52,553	57,766
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(383,804)	(155,002)	99,082	121,713
Changes of assumptions	(90,588)	(52,437)	186,302	325,214
Changes in Proportionate Share of TPL		(19,372)	29,265	(26,072)
Benefit Payments	(13,664)	(23,516)	(27,706)	(69,907)
Other	-	-	-	-
Net Change in Total Pension Liability	**(352,765)**	**(140,892)**	**382,943**	**460,066**
Total Pension Liability - Beginning	**1,792,636**	**1,439,871**	**1,298,979**	**1,681,922**
Total Pension Liability - Ending	**$ 1,439,871**	**$ 1,298,979**	**$ 1,681,922**	**$ 2,141,988**
College's proportion of the Pension Liability	1.51%	1.49%	1.52%	1.46%
Covered-employee payroll	8,470,170	8,513,535	8,856,797	8,872,769
Total Pension Liability as a percentage of covered-employee payroll	17.0%	15.3%	19.0%	24.1%

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

State Board Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

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

State Board Supplemental Defined Benefit Plans

Schedule of Employer Contributions State Board Supplemental Retirement Plan Peninsula College Fiscal Year Ended June 30, 2021	
	2021
Statutorily determined contributions	$ 16,073
Actual contributions in relation to the above	16,073
Contribution deficiency (excess)	$ -
Covered Payroll	$ 12,363,963
Contribution as a % of covered payroll	0.13%

Notes: This schedule will be built prospectively until they contain 10 years of data.
This schedule contains actual amounts, while the notes report contributions as a proportionate share of plan total contributions.

Notes to Required Supplementary Information

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

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

Information on Postemployment Benefits Other than Pensions

Schedule of Changes in Total OPEB Liability and Related Ratios Measurement Date of June 30, 2020				
Total OPEB Liability	**2020**	**2019**	**2018**	**2017**
Service cost	$ 403,098	$ 403,161	$ 545,319	$ 697,852
Interest cost	337,197	349,719	374,904	326,878
Difference between expected and actual experience	(51,672)	-	342,214	-
Changes in assumptions	218,579	651,268	(2,387,326)	(1,594,517)
Changes in benefit terms		-	-	-
Benefit payments	(160,545)	(159,975)	(158,341)	(166,582)
Changes in proportionate share	(646,215)	(9,357)	(288,401)	(109,132)
Other	(343,460)	-	-	-
Net Changes in Total OPEB Liability	$ (243,018)	$ 1,234,816	$ (1,571,631)	$ (845,501)
Total OPEB Liability - Beginning	$ 9,956,909	$ 8,722,093	$ 10,293,723	$ 11,139,225
Total OPEB Liability - Ending	$ 9,713,891	$ 9,956,909	$ 8,722,093	$ 10,293,723
College's proportion of the Total OPEB Liability (%)	0.1604224714%	0.1715566975%	0.1717409534%	0.1766913332%
Covered-employee payroll	$ 12,775,336	$ 12,596,907	$ 12,591,209	$ 11,955,141
Total OPEB Liability as a percentage of covered-employee payroll	76.036285%	79.042490%	69.271290%	86.102903%

*This schedule will continue to be built until it contains 10 years of data.

Notes to Required Supplementary Information

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

Information on Postemployment Benefits Other than Pensions

Schedule of Changes in Total OPEB Liability and Related Ratios Measurement Date of June 30*			
Total OPEB Liability	**2019**	**2018**	**2017**
Service cost	$ 403,161	$ 545,319	$ 697,852
Interest cost	349,719	374,904	326,878
Difference between expected and actual experience	-	342,214	-
Changes in assumptions	651,268	(2,387,326)	(1,594,517)
Changes in benefit terms	-	-	-
Benefit payments	(159,975)	(158,341)	(166,582)
Changes in proportionate share	(9,357)	(288,401)	(109,132)
Other	-	-	-
Net Changes in Total OPEB Liability	$ 1,234,816	$ (1,571,631)	$ (845,501)
Total OPEB Liability - Beginning	$ 8,722,093	$ 10,293,723	$ 11,139,225
Total OPEB Liability - Ending	$ 9,956,909	$ 8,722,093	$ 10,293,723
College's proportion of the Total OPEB Liability (%)	0.1715566975%	0.1717409534%	0.1766913332%
Covered-employee payroll	$ 12,596,907	$ 12,591,209	$ 11,955,141
Total OPEB Liability as a percentage of covered-employee payroll	79.042490%	69.271290%	86.102903%

*This schedule will continue to be built until it contains 10 years of data.

Notes to Required Supplementary Information

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

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the 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.

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