Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Peninsula College

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

Published March 5, 2020

Report No. 1025774

Office of the Washington State Auditor
Pat McCarthy

March 5, 2020

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, 2018 through June 30, 2019

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 year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 24, 2020.

As discussed in Note 1 to the financial statements, in 2019, the College began reporting the Peninsula College Foundation as part of its reporting entity.

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 other auditor's testing of internal controls 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 other auditors, is based solely on the report of 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 controls 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 2018 financial statements, on which other auditors issued their report dated September 18, 2019.

The financial statements of the Peninsula College, an agency of the state of Washington, are intended to present the financial position and the changes in financial position, and cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2019, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

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

February 24, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Peninsula College
July 1, 2018 through June 30, 2019

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 year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed on page 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 audit. 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 report has been furnished to us, and our opinion, insofar as it relates to amounts included for the Foundation, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Peninsula College Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Peninsula College, as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2019, the College began reporting the Peninsula College Foundation as part of its reporting entity. Our opinion is not modified with respect to this matter.

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 cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2019, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information for the Foundation. Such information does not include all 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 June 30, 2018, from which such partial information was derived. Other auditors have previously audited the Foundation's 2018 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 February 24, 2020 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

February 24, 2020

FINANCIAL SECTION

Peninsula College
July 1, 2018 through June 30, 2019

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

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, 2019 (FY 2019). 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. More than 3,800 individuals were served in academic year 2018-2019. The College's main campus is located in Port Angeles, Washington, a community of about 19,620 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, 2019. 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 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 2019	FY 2018
Assets		
Current Assets	9,202,494	8,330,452
Non-current Assets	5,200,692	5,294,813
Capital Assets, net	86,576,546	87,320,939
Total Assets	**$ 100,979,732**	**$ 102,525,413**
Total Deferred Outflows of Resources	**$ 1,380,488**	**$ 850,159**
Liabilities		
Current Liabilities	2,671,731	3,100,341
Non-current Liabilities	15,366,041	16,629,893
Total Liabilities	**$ 18,037,772**	**$ 10,005,378**
Total Deferred Inflows of Resources	**$ 4,821,038**	**$ 2,458,393**
Net Position	**$ 79,501,410**	**$ 79,607,737**

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The increase in current assets in FY 2019 can be attributed to an increase in receivables at year end related to running start charges and ongoing construction projects.

Net capital assets decreased by $744,393 from FY 2018 to FY 2019. Current depreciation expense of $2,544,087 was offset by an increase relating to ongoing acquisitions of capitalizable 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.

Management Discussion and Analysis (continued)

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 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 $850,159 in FY 2018 and $1,380,488 in FY 2019 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. The decrease in current liabilities from FY 2018 to FY 2019 is primarily due to the reduction of the short-term portion of OPEB liability, unearned revenue and short-term compensated absences.

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 and the net pension liability. The College's non-current liabilities were reduced reflecting its proportionate share of the statewide decrease in OPEB. An increase 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 $2,458,393 in FY 2018 to $4,821,038 in FY 2019 primarily due to changes in assumptions used by actuaries in evaluating the cost of funding the OBEB liability.

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 2019**	**FY 2018**
Net investment in capital assets	84,425,048	85,023,671
Restricted Expendable	602,418	581,904
Unrestricted	(5,526,057)	(5,997,838)
Total Net Position	**79,501,410**	**79,607,737**

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position accounts for the College's changes in total net position during FY 2019. The objective of the statement is to present the revenues received, both operating and non-operating, and the expenses paid 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, 2019 and 2018 is presented below.

As of June 30th	FY 2019	FY 2018
Operating Revenues		
State and local grants and contracts	7,799,400	6,710,348
Student tuition and fees, net	4,190,387	4,347,702
Auxiliary enterprise sales, net	1,019,808	1,002,150
Federal grants and contracts	628,651	351,497
Other operating revenues	208,679	330,384
Total Operating Revenues	13,846,925	12,742,080
Non-Operating Revenues		
State Appropriations	12,275,103	12,070,916
Federal Pell grant revenue	3,012,533	3,227,912
Interest Income	191,167	148,507
Total Non-Operating Revenues	15,478,803	15,447,335
Total Revenues	**29,325,729**	**28,189,416**
Operating Expenses by functional classification		
Instruction	9,961,599	8,874,627
Academic Support Services	2,763,893	2,551,465
Student Services	3,434,902	3,197,921
Institutional Support	4,666,029	5,675,516
Operation and Maintenance of Plant	2,235,100	2,152,814
Scholarships and other student financial aid	3,803,289	4,366,347
Auxiliary enterprises	1,407,937	1,562,748
Depreciation	2,544,087	2,568,733
Total Operating Expenses	30,816,835	30,950,172
Non-Operating Expenses	685,685	721,674
Total Expenses	**31,502,520**	**31,671,845**
Income (Loss) Before Capital Appropriations	**(2,176,791)**	**(3,482,430)**
Capital Appropriations	2,027,198	888,707
Capital Contributions	43,265	
Increase in Net Position	**(106,327)**	**(2,593,723)**
Net Position, Beginning of the Year	79,607,737	92,841,454
Cummulative effect of change in accounting principle		(10,970,994)
Prior Period Capital Adjustment		331,000
Net Position, End of the Year	**79,501,410**	**79,607,737**

Revenues

The State of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2018, the SBCTC allocated funds to each of the 34 colleges based on a 3 year average of actual full time equivalent students. In FY 2019, the College experienced a modest increase in its state allocation due to legislatively targeted funding to allied health programs.

The decrease in tuition and fee revenue is primarily attributable to reduced enrollment countered with a 2.0% resident tuition increase enacted by the Legislature.

Pell grant revenues generally follow enrollment trends. As the College's enrollment softened during FY 2019, Pell Grant revenue decreased by $215,380 due to less students taking advantage of this federal subsidy.

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.

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 2019, salaries and wages expense increased due to 4.0% phased-in Legislative increase. Benefit costs decreased by $593,949 primarily as a result of the decrease in OPEB expense compared to the prior year. 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, 2019, the College had invested $86,576,546 in capital assets, net of accumulated depreciation. This represents a decrease of $744,393 from last year, as shown in the table below.

Asset Type	June 30, 2019	June 30, 2018	Change
Land	371,368	371,368	-
Construction in Progress	-	11,550	(11,550)
Buildings, net	84,745,791	85,196,779	(450,988)
Other Improvements and Infrastructure, net	434,839	633,222	(198,383)
Equipment, net	864,433	908,140	(43,707)
Library Resources, net	160,115	199,881	(39,765)
Total Capital Assets, net	**86,576,546**	**87,320,939**	**(744,393)**

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, 2019 the College had $2,151,498 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 funds are distributed to each college. The new model is based on performance in several key indicators, from general enrollments to enrollments in high cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state. Due to decreases in enrollments 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 schools see their numbers grow, the College's operating appropriation is at risk of a significant decline.

In FY 2018, reimbursement rates for Running Start students increased as a result of the legislature meeting court mandated education obligations related to the McCleary Decision, in which the state supreme court ruled that Washington was not properly funding public education. The increased reimbursement rate provided financial resources needed by Peninsula College, and other colleges with Running Start programs, to help balance out the decrease in general state enrollments and corresponding tuition revenue. There is concern with current legislation talk of the Colleges being required to use the additional funding to cover the costs of Running Start Students attending college. The effect of this will decrease our operating funds used to support student success as even with the increased Running Start reimbursement rates, they are still not up to state support and regular tuition.

Peninsula College
Statement of Net Position
June 30, 2019

Assets		
Current assets		
Cash and cash equivalents (Note 3)	$	5,642,653
Restricted cash and cash equivalents (Note 3)		666,053
Accounts Receivable (Note 4)		2,545,158
Inventories		254,507
Note receivable (Note 4)		94,122
Total current assets		9,202,494
Non-Current Assets		
Note receivable (Note 4)		5,200,692
Capital assets:		
Land and construction in progress (Note 5)		371,368
Capital assets, net of depreciation (Note 5)		86,205,178
Total non-current assets		91,777,238
Total assets		**100,979,732**
Deferred Outflows of Resources		
Deferred Outflows of Resources Related to Pensions (Note 14)		916,151
Deferred Outflows of Resources Related to OPEB (Note 14)		464,337
Total deferred outflows of resources		1,380,488
Liabilities		
Current Liabilities		
Accounts Payable (Note 6)		737,827
Accrued Liabilities (Note 6)		1,288,801
Compensated Absences (Note 9)		21,597
Deposits Payable		7,052
Unearned Revenue (Note 7)		269,355
Certificates of Participation Payable (Note 13)		152,401
Pension Liability (Note 14)		34,551
OPEB Liability (Note 15)		160,147
Total current liabilities		2,671,731
Non-Current Liabilities		
Compensated Absences (Note 9)		1,412,247
Certificates of Participation Payable (Note 13)		1,999,097
Pension liability (Note 14)		3,392,752
OPEB Liability (Note 15)		8,561,945
Total non-current liabilities		15,366,041
Total liabilities		**18,037,772**
Deferred Inflows of Resources		
Deferred Inflows of Resources Related to Pensions (Note 15)		1,122,343
Deferred Inflows of Resources Related to OPEB (Note 14)		3,698,695
Total deferred inflows of resources		4,821,038
Net Position		
Net Investment in Capital Assets		84,425,048
Restricted for Expendable:		
Student Aid		602,418
Unrestricted		(5,526,057)
Total Net Position	**$**	**79,501,410**

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, 2019

Operating Revenues			
State and local grants and contracts			7,799,400
Student tuition and fees (net of scholarship allowance of $1,838,479)		$	4,190,387
Auxiliary enterprise sales			1,019,808
Federal grants and contracts			628,651
Other operating revenues			208,679
	Total operating revenue		13,846,925
Operating Expenses			
Salaries and wages			13,885,079
Benefits			4,674,533
Scholarships and fellowships			4,757,437
Depreciation			2,544,087
Purchased services			1,709,871
Other operating expenses			1,438,228
Non-capitalized furniture and equipment			186,550
Supplies and materials			1,085,366
Utilities			535,684
	Total operating expenses		30,816,835
	Operating income (loss)		(16,969,910)
Non-Operating Revenues (Expenses)			
State appropriations			12,275,103
Federal Pell grant revenue			3,012,533
Interest Income			191,167
Building and Innovation fees remitted to state			(579,485)
Interest on indebtedness			(104,082)
Other non-operating expenses			(2,118)
	Net non-operating revenue (expenses)		**14,793,119**
Income or (loss) before other revenues, expenses, gains, or losses			(2,176,791)
Other Revenues			
Capital appropriations			2,027,198
Capital Contributions			43,265
	Increase (Decrease) in net position		(106,327)
Net Position			
Net position, beginning of year			79,607,737
Net position, end of year		$	79,501,410

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

Peninsula College
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash flow from operating activities		
Student tuition and fees	$	4,337,938
Grants and contracts		8,384,725
Payments to vendors		(3,096,136)
Payments to employees		(13,890,658)
Payments for benefits		(4,767,648)
Auxiliary enterprise sales		1,027,564
Payments for scholarships and fellowships		(4,757,437)
Other receipts		430,241
Other payments		(2,465,588)
Net cash used by operating activities		(14,797,000)
Cash flows from noncapital financing activities		
State appropriations		12,324,901
Pell grants		3,012,533
Building and Innovation fees remitted to state		(578,596)
Net cash provided by noncapital financing activities		14,758,838
Cash flows from capital and related financing activities		
Capital appropriations		1,754,948
Acquistion and construction of capital assets		(1,758,547)
Capital contributions		92,060
Principal paid on capital debt		(145,770)
Interest paid on capital debt		(104,082)
Net cash used by capital and related financing activities		(161,391)
Cash flows from investing activities		
Interest Income		191,167
Net cash provided by investing activities		191,167
Increase (decrease) in cash and cash equivalents		(8,385)
Cash and cash equivalents at the beginning of the year		6,317,092
Cash and cash equivalents at the end of the year		6,308,707
Reconciliation of Operating Loss to Net Cash used by Operating Activities		
Operating Loss		(16,969,910)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense		2,544,087
Changes in assets and liabilities		
Receivables, net		(659,090)
Inventories		3,178
Other assets		
Accounts payable		336,543
Accrued liabilities		140,061
Unearned revenue		(34,591)
Compensated absences		(49,735)
Pension liability adjustment		(108,296)
Deposits payable		753
Net cash used by operating activities	$	(14,797,000)
Significant Noncash Transactions		
Captial assets acquired through gifts		43,265

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,		2019		2018
Assets				
Assets:				
Cash & cash equivalents	$	734,499	$	606,456
Contributions receivable (less discount of $52,334 and $11,288 for 2019 and 2018, respectively)		417,633		218,712
Loans and miscellaneous receivables		103,423		106,874
Custodial funds		501,444		512,832
Investments		103,949		96,970
Assets restricted for endowment		3,953,954		3,299,575
Total Assets	**$**	**5,814,902**	**$**	**4,841,419**
Liabilities and Net Assets				
Liabilities:				
Accounts payable	$	58,775	$	23,780
Custodial funds liability		501,444		512,832
Total Liabilities		**560,219**		**536,612**
Net Assets:				
Without donor restrictions:				
Undesignated		133,745		175,481
Total Net Assets Without Donor Restrictions		**133,745**		**175,481**
With donor restrictions		5,120,938		4,129,326
Total Net Assets		**5,254,683**		**4,304,807**
Total Liabilities and Net Assets	**$**	**5,814,902**	**$**	**4,841,419**

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,	Without Donor Restrictions	With Donor Restrictions	Total 2019
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 Activities and Changes in Net Assets

For the Year Ended June 30,			2018
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Public support:			
Contributions	$ 62,173	$ 1,963,187	$ 2,025,360
Event Income	4,600	-	4,600
Less: direct event expense	(1,254)	-	(1,254)
In-kind contributions	342,257	-	342,257
Pirate Athletic Association	84,954	-	84,954
Investment income	6,719	196,900	203,619
Net realized & unrealized gain (loss) on investments	2,426	90	2,516
Net assets released from restrictions	644,733	(644,733)	-
Total Support and Revenue	**1,146,608**	**1,515,444**	**2,662,052**
Expenses:			
Program Services	916,245	-	916,245
Management and General	94,260	-	94,260
Fundraising	78,312	-	78,312
Total Expenses	**1,088,818**	**-**	**1,088,818**
Increase (Decrease) in Net Assets	**57,790**	**1,515,444**	**1,573,234**
Transfers to Port Angeles Waterfront Center:	-	(9,074,364)	(9,074,364)
Net Assets, Beginning of Year	117,691	11,688,246	11,805,937
Net Assets, End of Year	**$ 175,481**	**$ 4,129,326**	**$ 4,304,807**

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,	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 949,876	$ 1,573,234
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Gain) loss on investments	(280,521)	(206,135)
Bad debts	1,306	5,050
(Increase) Decrease in contributions receivable	(198,921)	(208,516)
(Increase) Decrease in loans and miscellaneous receivables	2,145	(100,784)
Increase (Decrease) in accounts payable	34,995	23,760
Net Cash Provided (Used) by Operating Activities	**508,880**	**1,086,609**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	259,910	187,346
Purchase of investments	(640,747)	(1,232,888)
Net Cash Provided (Used) By Investing Activities	**(380,837)**	**(1,045,542)**
CASH FLOWS FROM FINANCING ACTIVITIES:	-	-
Net Increase (Decrease) in Cash	128,043	41,067
Cash, Beginning of Year	606,456	565,389
Cash, End of Year	**$ 734,499**	**$ 606,456**

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

Notes to the Financial Statements

June 30, 2019

These notes form an integral part of the financial statements.

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, 2019, the Foundation distributed $883,565 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, 2019, no assets had been written down.

Unearned Revenues
Unearned revenues occur when funds have been collected prior to the end of the fiscal year but are related to the subsequent fiscal year. The college has recorded 2019 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.

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.

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, 2019 are $1,838,479.

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

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

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, 2019, the carrying amount of the College's cash was $6,308,707. 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, 2019
Bank Demand and Time Deposits	2,105,791
Restricted Cash	666,053
Local Government Investment Pool	3,531,829
Petty Cash and Change Funds	5,034
Total Cash and Cash Equivalents	**6,308,707**

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, 2019, accounts receivable were as follows:

Accounts Receivable	Amount
Student Tuition and Fees	371,761
Due from the Federal Government	103,263
Due from Other State Agencies	937,184
Auxiliary Enterprises	75,512
Other	1,380,761
Subtotal	2,868,482
Less Allowance for Uncollectible Accounts	(323,324)
Accounts Receivable, net	**2,545,158**

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 6/30/18	Additions	Reductions	Balance oustanding 6/30/19	Current Portion
Note Receivable	5,386,873	-	(92,060)	5,294,813	94,122
Total	5,386,873	-	(92,060)	5,294,813	94,122

5. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2019 is presented as follows. The current year depreciation expense was $2,544,087.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Nondepreciable capital assets				
Land	371,368			371,368
Construction in Progress	11,550		(11,550)	-
Total nondepreciable assets	**382,918**	**-**	**(11,550)**	**371,368**
Depreciable capital assets				
Buildings	103,234,165	1,587,917		104,822,082
Other improvements and infrastructure	2,081,495			2,081,495
Equipment	3,822,929	205,633		4,028,562
Library resources	1,604,842	19,811	(8,030)	1,616,623
Subtotal depreciable capital assets	**110,743,431**	**1,813,362**	**(8,030)**	**112,548,762**
Less accumulated depreciation				
Buildings	18,037,385	2,038,906		20,076,290.95
Other improvements and infrastructure	1,448,273	198,383		1,646,656.26
Equipment	2,914,789	249,340	(0)	3,164,128.89
Library resources	1,404,961	57,459	(5,912)	1,456,507.95
Total accumulated depreciation	**23,805,409**	**2,544,087**	**(5,912)**	**26,343,584**
Total depreciable capital assets	**86,938,021**	**(730,726)**	**(2,118)**	**86,205,178**
Capital assets, net of accumulated depreciation	**87,320,939**	**(730,726)**	**(13,668)**	**86,576,546**

6. Accounts Payable and Accrued Liabilities

At June 30, 2019, accrued liabilities are the following:

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	483,271
Accounts Payable	737,827
Amounts Held for Others and Retainage	805,530
Total	2,026,628

7. Unearned Revenue

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

Unearned Revenue	Amount
2019 Summer & Fall Quarter Tuition & Fees	269,355
Total Unearned Revenue	269,355

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, 2018 through June 30, 2019 were $19,657.49. Cash reserves for unemployment compensation for all employees at June 30, 2019 were $185,446.

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, 2018 through June 30, 2019 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 $654,724, and the accrued sick leave totaled $779,120 at June 30, 2019.

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

Fiscal Year	Equipment	Instructional Space	Total Operating Leases
2020	21,322	241,200	262,522
2021	9,002	241,200	250,202
2022	5,485	40,200	45,685
2023	-	-	-
2024	-	-	-
Total minimum lease payments	**35,808**	**522,600**	**558,408**

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, 2019 are as follows.

	Certificates of Participation		
Fiscal Year	**Principal**	**Interest**	**Total**
2020	152,401	97,168	249,569
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
2025-2029	765,000	250,831	1,015,831
2030-2033	690,000	74,413	764,413
Total	2,151,498	743,269	2,894,767

13. Schedule of Long Term Liabilities

	Balance oustanding 6/30/18	**Additions**	**Reductions**	**Balance oustanding 6/30/19**	**Current Portion**
Certificates of Participation	2,297,268		(145,770)	2,151,498	152,401
Pension Liability	3,796,283		(368,980)	3,427,303	34,551
Other Post-Employment Benefits	10,293,723		(1,571,631)	8,722,092	160,147
Compensated Absences	1,483,580	605,219	(654,955)	1,433,844	21,597
Total	17,870,854	605,219	(2,741,336)	15,734,737	368,696

14. Pension Plans

A. General

The College offers three contributory pension plans. The Washington State Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) plans are cost sharing multiple employer defined benefit pension plans administered by the State of Washington Department of Retirement Services. The State Board Retirement Plan (SBRP) is a single employer defined contribution plan for the faculty and exempt administrative and professional staff of the state's public community and technical colleges. The plan includes supplemental payment, when required. The plan is administered by the State Board for Community and Technical Colleges (SBCTC).

For FY 2019, the covered payroll for the College's employees was $3,437,369 for PERS, $215,809 for TRS, and $8,856,797 for SBRP. Total covered payroll was $12,509,975.

The College's defined benefit plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

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.

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.

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 2019:

Aggregate Pension Amounts – All Plans

Pension Liabilities	$	3,427,303
Deferred outflows of resources related to pensions	$	916,151
Deferred inflows of resources related to pensions	$	1,122,343
Pension expense/expenditures	$	100,461

As established in chapter 28B.10.RCW, eligible higher education state employees may participate in higher education retirement plans. These plans include a defined contribution plan administered by a third party with a supplemental defined benefit component (on a pay as you go basis) which is administered by the state. The College has elected to use the current fiscal year end as the measurement date for reporting net position liabilities for the Higher Education Supplemental Retirement Plan in alignment with the State CAFR.

B. College Participation in Plans Administered by the Department of Retirement Systems
PERS
Plan Descriptions. PERS Plan 1 provides retirement and disability benefits and minimum benefit increases to eligible nonacademic plan members hired prior to October 1, 1977. Entrance to PERS Plan 1 is closed to new employees. PERS Plans 2 and 3 provide retirement and disability benefits and a cost of living adjustment to eligible nonacademic plan members hired on or after October 1, 1977. Retirement benefits are vested after five years of eligible service. PERS Plan 3 has a defined contribution component that members may elect to self-direct as established by the Employee Retirement Benefits Board. PERS 3 defined benefit plan benefits are vested after an employee completes five years of eligible service.

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised with 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

Benefits Provided. 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 TRS Plan in 1938. TRS Plans 1 and 2 are defined benefit plans. TRS Plan 1 was closed to new entrants on September 30, 1977.

Employees currently have a choice of entering TRS Plan 2 or 3. TRS Plan 2 and 3 provide retirement benefits to certain eligible faculty hired on or after October 1, 1977. TRS Plan 3 includes both a defined benefit portion and a defined contribution portion. The defined benefit portion is funded by employer contributions only. Benefits are vested after an employee completes five or ten years of eligible service, depending on the employee's age and service credit, and includes an annual cost-of-living adjustment. The defined contribution component is fully funded by employee contributions and investment performance. 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.

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.

Funding Policy. Each biennium, the state Pension Funding Council adopts PERS and TRS Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for PERS and TRS Plans 1 are established by statute. By statute, PERS 3 employees may select among six contribution rate options, ranging from 5 to 15 percent. The required contribution rates expressed as a percentage of current year covered employee payroll are shown in the table below. The College and the employees made 100% of required contributions.

The authority to establish and amend benefit provisions resides with the legislature. PERS and TRS issue publicly available financial reports that include financial statements and required supplementary information. The report may be obtained by writing to the Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at http://www.drs.wa.gov/administration.

Contribution Rates and Required/Actual Contributions. The College's contribution rates and required/actual contributions for the above retirement plans for the years ending June 30, 2019, 2018, and 2017 are as follows:

Contribution Rates at June 30

	FY 2017		FY 2018		FY 2019	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	6.00%	11.18%	6.00%	12.70%	6.00%	12.83%
Plan 2	6.12%	11.18%	7.38%	12.70%	7.41%	12.83%
Plan 3	5 - 15%	11.18%	5 - 15%	12.70%	5 - 15%	12.83%
TRS						
Plan 1	6.00%	13.13%	6.00%	15.20%	6.00%	15.41%
Plan 2	5.95%	13.13%	7.06%	15.20%	7.06%	15.41%
Plan 3	5 - 15%	13.13%	5 - 15%	15.20%	5 - 15%	15.41%

	FY 2017		FY 2018		FY 2019	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	$ 6,712	$159,343	$ 4,208	$165,240	$ 3,364	$180,044
Plan 2	$142,579	$145,142	$171,440	$173,995	$185,300	$188,052
Plan 3	$ 45,050	$ 46,899	$ 45,525	$ 58,947	$ 50,842	$ 66,074
TRS						
Plan 1	$ -	$ 12,059	$ -	$ 16,371	$ -	$ 16,102
Plan 2	$ -	$ -	$ 3,400	$ 3,771	$ 3,996	$ 4,432
Plan 3	$ 16,300	$ 13,008	$ 15,791	$ 14,038	$ 14,461	$ 12,623

Investments

The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Comingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB adopted investment policies for the various asset classes.

For the year ended June 30, 2017, the annual money-weighted return on the pension investments, net of pension plan expenses are as follows:

Pension Plan	Rate of Return
PERS Plan 1	13.84%
PERS Plan 2/3	14.11%
TRS Plan 1	14.45%
TRS Plan 2/3	14.10%

These money-weighted rates of return express investment performance, net of pension plan investment expense, and reflects both the size and timing of cash flows.

The PERS and TRS target asset allocation and long-term expected real rate of return as of June 30, 2018, 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:

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
Actuarially determined pension expense	97,610	(11,032)	12,376	8,364	107,318
Amortization of change in proportionate liability	(97,760)	23,851	15,195	4,816	(53,898)
Total Pension Expense	(150)	12,819	27,571	13,180	53,420

Changes in Proportionate Shares of Pension Liabilities

The changes to the College's proportionate share of pension liabilities from 2017 to 2018 for each retirement plan are listed below:

	2017	2018	Change
PERS 1	.026626%	.024640%	-0.001986
PER 2/3	. 031570%	.029991%	-0.001579
TRS 1	. 003451%	.003933%	0.000482
TRS 2/3	. 003535%	.004002%	0.000467

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.

Actuarial Assumptions

The total pension liability for each of the plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. Besides the discount rate, the actuarial assumptions used in the valuation are summarized in the Actuarial Section of DRS' Comprehensive Annual Financial Report (CAFR). The DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov. These assumptions reflect the results of OSA's 2007-2012 Experience Study and the 2015 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The total pension liability was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.50% salary inflation
- Salary Increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.40%

Mortality rates were based on the RP-2000 report's 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.

Changes in methods and assumptions since the last valuation include:

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 and TRS Plan 1 is valued for legal order payees was improved.
- The average expected remaining service lives calculation was revised. It is used to recognize the changes in pension expense to no longer discount future years of service back to the present day.

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	1,352,361	1,100,431	882,209
PERS Plan 2/3	2,342,219	512,070	(988,448)
TRS Plan 1	143,571	114,867	90,017
TRS Plan 2/3	112,274	18,014	(58,558)

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, 2019:

	PERS 1		PERS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience			62,766	89,654
Difference between projected and actual earnings of pension plan investments		43,730		314,230
Changes of Assumptions			5,990	145,731
Changes in College's proportionate share of pension liabilities			68,594	56,115
Contributions to pension plans after measurement date	180,044		254,126	
	180,044	43,730	391,476	605,730

	TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience			8,465	1,330
Difference between projected and actual earnings of pension plan investments		4,912		15,235
Changes of Assumptions			306	7,239
Changes in College's proportionate share of pension liabilities			20,336	59
Contributions to pension plans after measurement date	16,102		17,054	
	16,102	4,912	46,161	23,863

The $467,326 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2020.

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

Year ended June 30:	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2020	1,913	(41,164)	491	4,189
2021	(9,560)	(100,511)	(1,017)	1,329
2022	(28,686)	(189,086)	(3,493)	(5,250)
2023	(7,398)	(67,972)	(894)	(625)
2024	-	(23,111)	-	1,519
Thereafter		(46,534)	-	4,083
	(43,730)	(468,378)	(4,912)	5,245

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, 2019 were each $764,025.

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, 2019, supplemental benefits were paid by the SBCTC on behalf of the colleges in the amount of $1,818,000. The College's share of the amount was $27,706. 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 2019, the College paid into this fund at a rate of 0.5% of covered salaries totaling $44,285. 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, 2019, the Community and Technical College system accounted for $19,733,342 of the fund balance.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, with 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 3.87 percent to 3.50 percent.

Discount Rate

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

Pension Expense

Pension Expense for the fiscal year ending June 30, 2019 was 47,041.

Proportionate Share (%)	**1.52369%**
Service Cost	$ 43,447
Interest Cost	52,553
Amortization of Differences Between Expected and Actual Experience	(57,218)
Amortization of Changes of Assumptions	6,486
Changes of Benefit Terms	-
Administrative Expenses	-
Other Changes in Fiduciary Net Position	-
Proportionate Share of Collective Pension Expense	**45,268**
Amortization of the Change in Proportionate Share of TPL	1,774
Total Pension Expense	**$ 47,041**

Proportionate Shares of Pension Liabilities

The College's proportionate share of pension liabilities for fiscal year ending June 30, 2019 was 1.52%. 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 (%) 2018	**1.49%**
Proportionate Share (%) 2019	**1.52%**
Total Pension Liability - Ending 2018	$ 1,298,979
Total Pension Liability - Beginning 2019	1,328,244
Total Pension Liability - Change in Proportion	29,265
Total Deferred Inflow/Outflows - 2018	525,355
Total Deferred Inflow/Outflows - 2019	537,191
Total Deferred Inflows/Outflows - Change in Proportion	11,836
Total Change in Proportion	**$ 41,101**

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, 2019:

Change in Total Pension Liability/(Asset)	
Service Cost	$ 43,447
Interest	52,553
Changes in benefit terms	-
Differences between expected and actual experience	99,082
Changes of assumptions	186,302
Change in Proportionate Share of TPL	29,265
Benefit Payments	(27,706)
Other	-
Net Change in Pension Liability	382,943
Total Pension Liability - Beginning	1,298,979
Total Pension Liability - Ending	**$ 1,681,922**

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	1,921,842	1,681,922	1,482,700

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 85,693	$ 352,530
Changes of assumptions	161,126	95,359
Changes in College's proportionate share of pension liability	35,547	(3,781)
Transactions subsequent to the measurement date	-	-
Total	$ 282,366	$ 444,108

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	
2020	(50,733)
2021	(50,733)
2022	(50,733)
2023	(50,733)
2024	(25,619)
Thereafter	27,479

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, 2018

Active Employees*	207
Retirees Receiving Benefits**	88
Retirees Not Receiving Benefits***	-
Total Active Employees and Retirees	295

*Reflects active employees eligible for PEBB program participation as of June 30, 2018.
**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 $368 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2019, the explicit subsidy was $168 per member per month. It is projected to increase in calendar year 2020 to $183 per member per month.

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	$	1,092
Dental		79
Life		4
Long-term Disability		2
Total		1,177
Employer contribution		1,017
Employee contribution		160
Total	$	1,177

*Per 2019 PEBB Financial Projection Model 7.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2019 which includes projected claims cost at the time of this reporting.

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

Total OPEB Liability. As of June 30, 2019, the state reported a total OPEB liability of $5.08 billion. The College's proportionate share of the total OPEB liability is $8,722,093. This liability was determined based on a measurement date of June 30, 2018.

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

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%

*For additional detail on the health care trend rates, please see Office of the State Actuary's 2018 OPEB Actuarial Valuation Report.

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 Dat	6/30/2018
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 3.58 percent for the June 30, 2017 measurement date and 3.87 percent for the June 30, 2018 measurement date.

Additional detail on assumptions and methods 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, 2019, components of the calculation of total OPEB liability determined in accordance with GASB Statement No. 75 for the College are represented in the following table:

Peninsula College

Proportionate Share (%)		**0.1717409534%**
Service Cost	$	545,319
Interest Cost	$	374,904
Differences Between Expected and Actual Experienc	$	342,214
Changes in Assumptions*	$	-
Changes of Benefit Terms	$	(2,387,326)
Benefit Payments	$	(158,341)
Changes in Proportionate Share	$	(288,400)
Other	$	-
Net Change in Total OPEB Liability	$	(1,571,631)
Total OPEB Liability - Beginning	$	10,293,724
Total OPEB Liability - Ending	**$**	**8,722,093**

*The recognition period for these changes is nine years. This is equal to the average expected remaining service lives of all active and inactive members.

Sensitivity of the Total Liability to Changes in the Discount Rate. The following represents the total OPEB liability of the College, calculated using the discount rate of 3.87 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

Discount Rate Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
$ 10,516,794	$ 8,722,093	$ 7,321,838

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
$ 7,159,993	$ 8,722,093	$ 10,799,390

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

For the year ending June 30, 2019, the College will recognize OPEB expense of $472,890. OPEB expense consists of the following elements:

Peninsula College	
Proportionate Share (%)	**0.1717409534%**
Service Cost	$ 545,319
Interest Cost	374,904
Amortization of Differences Between Expected and Actual Experience	38,024
Amortization of Changes in Assumptions	(437,463)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	(47,893)
Administrative Expenses	-
Total OPEB Expense	**$ 472,890**

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

Peninsula College

Proportionate Share (%)	**0.1717409534%**	
Deferred Inflows/Outflows of Resources	**Deferred Inflows**	**Deferred Outflows**
Difference between expected and actual experience		$ 304,190
Changes in assumptions	3,327,501	
Transactions subsequent to the measurement date		160,147
Changes in proportion	371,195	
Total Deferred Inflows/Outflows	**$ 3,698,696**	**$ 464,337**

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

Proportionate Share (%)	**0.1717409534%**
2020	$ (447,332)
2021	$ (447,332)
2022	$ (447,332)
2023	$ (447,332)
2024	$ (447,332)
Thereafter	$ (1,157,846)

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 (%) 2017	**0.1766913332%**
Proportionate Share (%) 2018	**0.1717409534%**
Total OPEB Liability - Ending 2017	$ 10,293,724
Total OPEB Liability - Beginning 2018 (chg in prop)	10,005,323
Total OPEB Liability Change in Proportion	(288,401)
Total Deferred Inflows/Outflows - 2017	(1,254,443)
Total Deferred Inflows/Outflows - 2018 (chg in prop)	(1,219,298)
Total Deferred Inflows/Outflows Change in Proportion	35,146
Total Change in Proportion	**$ (323,547)**

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, 2019.

Expenses by Functional Classification		
Instruction	$	9,961,599
Academic Support Services		2,763,893
Student Services		3,434,902
Intitutional Support		4,666,029
Operation and Maintenance of Plant		2,235,100
Scholarships and other student financial aid		3,803,289
Auxiliary enterprises		1,407,937
Depreciation		2,544,087
Total operating expenses	**$**	**30,816,835**

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

A $160,585 federal Department of Education grant was awarded to Peninsula College in September 2019 as part of the Child Care Access Means Parents in School (C-CAMPIS) program. This will partially fund two new toddler classrooms offering affordable childcare for low-income students within the Early Childhood Development Center. The total cost of the Peninsula College C-CAMPIS Project is $205,006, with the US Department of Education funding 79% of total costs ($160,585), and Peninsula College contributing the remaining 21% ($44,421) of project costs through in-kind contributions.

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 Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1
Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.026586%	$ 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					
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 Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 2/3
Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.028662%	$ 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					
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 Share of the Net Pension Liability

Teachers' Retirement System (TRS) Plan 1

Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College 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					
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 Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 2/3
Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.000870%	$ 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					
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 Contributions

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

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									
2021									
2022									
2023									

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

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 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					
2021					
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 Contributions

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

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									
2021									
2022									
2023									

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

Cost Sharing Employer Plans

Schedules of Contributions

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

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

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.

Required Supplementary Information (continued)

Other Postemployment Benefits Information

Schedule of Changes in Total OPEB Liability and Related Ratios Measurement Date of June 30*		
Total OPEB Liability	**2018**	**2017**
Service cost	$ 545,319	$ 697,852
Interest cost	374,904	326,878
Difference between expected and actual experience	342,214	-
Changes in assumptions	(2,387,326)	(1,594,517)
Changes in benefit terms	-	-
Benefit payments	(158,341)	(166,582)
Changes in proportionate share	(288,401)	(109,132)
Other	-	-
Net Changes in Total OPEB Liability	$ (1,571,631)	$ (845,501)
Total OPEB Liability - Beginning	$ 10,293,723	$ 11,139,225
Total OPEB Liability - Ending	$ 8,722,093	$ 10,293,723
College's proportion of the Total OPEB Liability (%)	0.1717409534%	0.1766913332%
Covered-employee payroll	$ 12,591,209	$ 11,955,141
Total OPEB Liability as a percentage of covered-employee payroll	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 state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

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

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

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

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

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
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