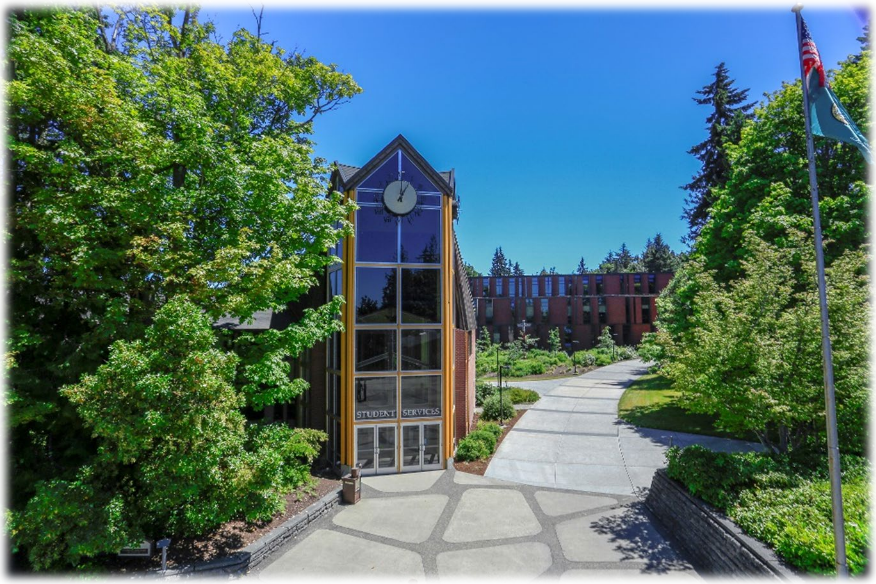


PENINSULA COLLEGE

Clallam and Eastern Jefferson County, Washington

2023 Financial Report

Fiscal Year Ended June 30, 2023

Advancing Student Success

Achieving Academic Excellence

Fostering Equity and Inclusion

Strengthening Communities

2023

Financial Report

Table of Contents

Board of Trustees and Administrative Officers 3
Independent Auditor's Report on Financial Statements... 4
Management's Discussion and Analysis 8
Financial Statements.. 18
Fiduciary Financial Statements.. 21
Foundation Financial Statements.. 23
Notes to the Financial Statements.. 26
Required Supplementary Information.. 60
Compliance Section... 71

Board of Trustees and Administrative Officers

Executive Officers

Dr. Suzanne Ames, President

Ms. Carie Edmiston, Vice President for Finance and Administration

Dr. Steven Thomas, Vice President for Instruction

Ms. Krista Francis, Vice President for Student Services

Ms. Getta Rogers, Executive Vice President of the Peninsula College Foundation

Ms. Kari Desser, Director of Marketing and Communications

Trustees and Officer list effective as of June 30, 2023

DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

Independent Auditor's Report

Board of Trustees
Peninsula College
Port Angeles, Washington

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, and the aggregate discretely presented component units Peninsula College (the College), Port Angeles, Washington, a component unit of the State of Washington, as of and for the year June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate discretely presented component unit of the College, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Peninsula College Foundation (the Foundation) which represent 100 percent of the assets, net position and revenues of the aggregate discretely presented component unit. The Foundation's financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described further in note 2 to the financial statements, during the year ended June 30, 2023, the College implemented Governmental Accounting Standards Board (GASB) Statement No.96, *Subscription-Based Information Technology*. Our opinion is not modified with respect to this matter.

The financial statements for the year ended June 30, 2023 reflect certain prior period adjustments as described further in note 19 to the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of Peninsula College's Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, TRS1, TRS 2/3, Schedule of Employer Contributions – PERS 1, PERS 2/3, TRS1, TRS 2/3, Schedule of Changes in the Net Pension Liability and Related Ratios – State Board Supplemental Retirement Plan, Schedule of Employer Contributions – State Board Supplemental Retirement Plan,* and the *Schedule of Changes in Total OPEB Liability and Related Ratios* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards 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 Information

Management is responsible for the other information included in the Financial Statements. The other information consists of the *Board of Trustees and Administrative Officers* but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Board of Trustees
Peninsula College
Port Angeles, Washington

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2024 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Davis Farr LLP

Irvine, California
March 26, 2024

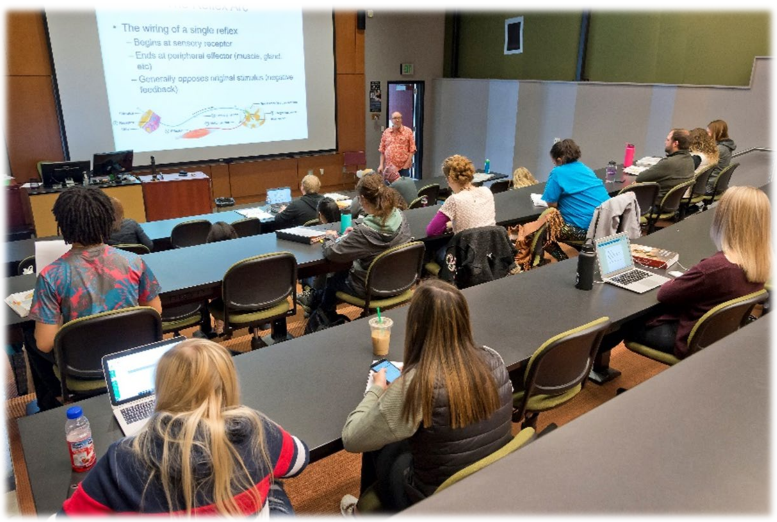
Management's Discussion and Analysis

Peninsula College

The following discussion and analysis provide an overview of the financial position and activities of Peninsula College (the College) for the fiscal year ended June 30, 2023 (FY 2023). 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, transitional studies for adults and community service educational programs. Established in 1961, Peninsula College's mission is to educate diverse populations of learners through community-engaged programs and services that advance student equity and success. 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.

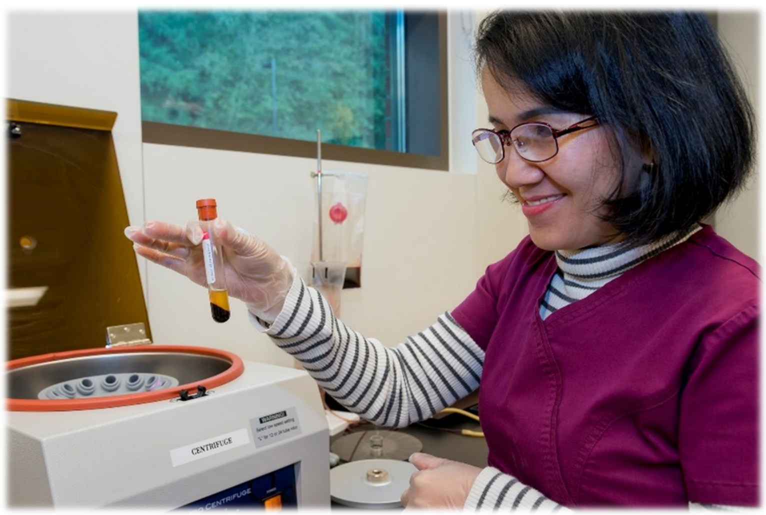


The College's service district comprises roughly 110,000 people, including several Native American tribes. 3,445 individuals were served in academic year 2022-2023. The College's main campus is located in Port Angeles, Washington, a community of 20,200 residents. The College has satellite campuses in 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, 2023. 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 the current year's revenues and expenses are taken into account regardless of when cash is received, or payments are made. Full accrual statements are intended to provide a view of the College's financial position similar to that presented by most private-sector companies. These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.



Statement of Net Position

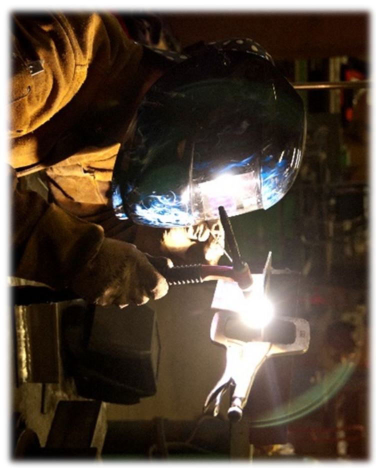
The Statement of Net Position provides information about the College's financial position, and presents the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at year-end.

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

Condensed Statement of Net Position As of June 30th	**FY 2023**	**FY 2022**
Assets		
Current Assets	20,307,009	19,486,452
Non-current Assets	1,277,397	3,322,674
Capital Assets, net	80,027,356	80,173,614
Total Assets	**$ 101,611,762**	**$ 102,982,740**
Total Deferred Outflows of Resources	**$ 3,631,934**	**$ 2,478,316**
Liabilities		
Current Liabilities	3,061,959	2,554,648
Non-current Liabilities	10,916,255	13,425,074
Total Liabilities	**$ 13,978,214**	**$ 15,979,722**
Total Deferred Inflows of Resources	**$ 8,789,470**	**$ 7,850,798**
Net Position	**$ 82,476,012**	**$ 81,630,535**

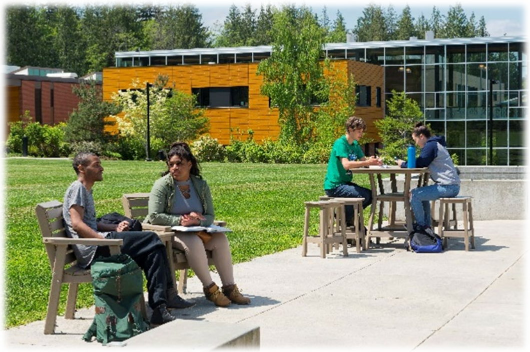
Note: Figures may not total due to rounding.

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The increase in current assets in FY 2023 can be attributed to an increase in cash and receivables at year end related to the final receipt of lost revenue reimbursement from the Higher Education Emergency Relief Fund.



Non-current assets consist of a Net Pension Asset within Department of Retirement Systems Pension Plans PERS and TRS due to plan returns which were greater than expected.

Depreciable/amortizable net capital assets decreased by $146,258 from FY 2022 to FY 2023. Current depreciation/amortization expense of $2,382,510 was offset by an increase relating to ongoing acquisitions of capitalizable buildings, equipment, and library resources.



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

College's proportionate share of an increase in the state-wide amounts reported by the Department of Retirement Systems (DRS) and Health Care Authority (HCA) as well as the difference between expected and actual experience in the factors actuaries used to determine the cost of funding the plans. The College recorded $2,478,316 in FY 2022 and $3,631,934 in FY 2023 of pension and postemployment-related deferred outflows.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of Certificate of Participation (COP) debt, deposits held for others and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements. Current liabilities increased from FY 2022 to FY 2023 by $507,311.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees, the long-term portion of COP debt, the other postemployment benefit liability, the net pension liability, and the lease and subscription liability. The College's non-current liabilities were reduced reflecting its proportionate share of the statewide decrease in Net Pension plan liability.

Deferred inflows of resources related to pensions and postemployment benefits increased from $7,850,798 in FY 2022 to $8,789,470 in FY 2023 primarily due to the difference between projected and actual investment earnings on pension plan investments.

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 amortization 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.

The College's 2023 beginning net position was adjusted by $405,288 to account for a prior period adjustment pertaining to fiduciary fund classification.

Net Position As of June 30th	**FY 2023**	**FY 2022**
Net investment in capital assets	78,591,827	78,783,248
Restricted Net Pension Asset	1,545,569	795,797
Restricted Expendable	583,860	597,518
Unrestricted	1,754,756	1,453,972
Total Net Position	**82,476,012**	**81,630,535**

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 2023. The objective of the statement is to present the revenues received, both operating and non-operating, and the expenses incurred by the College, along with any other revenue, expenses, gains and losses of the College.

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

Operating expenses are expenses incurred in the normal 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, 2023, and 2022 is presented below.

As of June 30th	FY 2023	FY 2022
Operating Revenues		
State and local grants and contracts	8,882,776	7,201,376
Student tuition and fees, net	2,592,474	2,240,772
Auxiliary enterprise sales, net	730,502	470,218
Federal grants and contracts	3,216,508	5,863,455
Other operating revenues	663,196	503,241
Total Operating Revenues	16,085,456	16,279,062
Non-Operating Revenues		
State Appropriations	16,344,263	14,253,248
Federal Pell grant revenue	2,538,530	2,002,385
Interest Income	443,350	125,947
Total Non-Operating Revenues	19,326,143	16,381,580
Total Revenues	**35,411,599**	**32,660,642**
Operating Expenses by functional classification		
Instruction	10,878,361	8,972,245
Academic Support Services	3,354,171	2,632,154
Student Services	5,232,411	4,376,787
Institutional Support	5,428,599	5,201,910
Operation and Maintenance of Plant	3,891,045	2,241,223
Scholarships and other student financial aid	4,207,147	5,477,575
Auxiliary enterprises	1,481,201	1,227,196
Depreciation and Amortization	2,382,510	2,314,001
Total Operating Expenses	36,855,445	32,443,091
Non-Operating Expenses	594,049	547,914
Total Expenses	**37,449,494**	**32,991,006**
Income (Loss) Before Capital Appropriations	**(2,037,895)**	**(330,364)**
Capital Appropriations	2,478,086	354,576
Increase in Net Position	**440,191**	**24,212**
Net Position, Beginning of the Year	81,630,535	81,551,125
Prior Period Adjustments	405,288	55,199
Net Position, End of the Year	**82,476,014**	**81,630,536**

Note: Figures may not total due to rounding.

Revenues

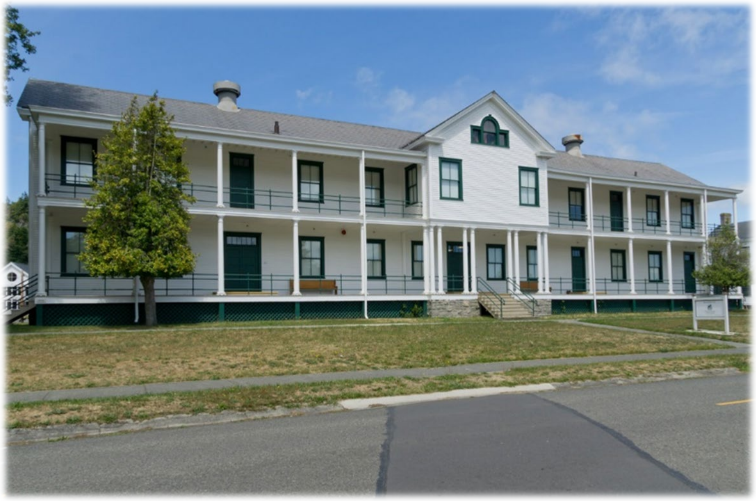
The State of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2023, the allocation model resulted in a decrease of funding but was offset by an increase in proviso (legislatively directed) funding for new programing, diversity, equity and access focus work and cost of living increases. Therefore, state allocation slightly increased in FY 2023.

The increase in tuition and fee revenue is primarily attributable to increased enrollment and by a 2.4% resident tuition increase enacted by the Legislature.

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 transitional studies programs, technical programs and Upward Bound.

A $2.2 million Federal Department of Education grant was awarded to Peninsula College in FY 2019, to 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 receives roughly $445,000 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. Additionally, the Higher Education Emergency Relief Fund (HEERF) provided $1.2 million in fiscal year 2023 as funding for lost revenue.

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.

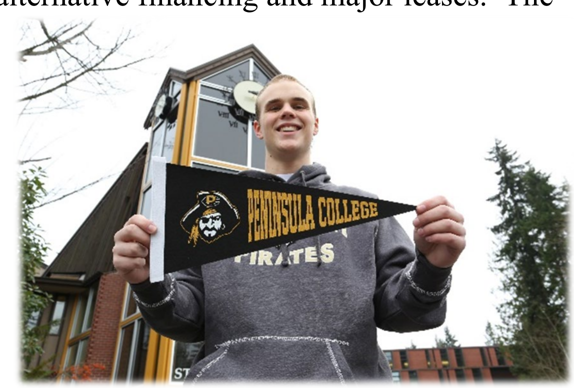


Expenses

The college spends the majority of its budget on employee salaries and wages. In FY 2023, the salaries and wages increase is attributed to cost of living increases for faculty and staff as well as fully staffing vacant positions. Benefits costs increased due to an increase in pension expense as a result of updated actuarial valuations. 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, 2023, the College had invested $80,027,356 in capital assets, net of accumulated depreciation and amortization. This represents a decrease of $146,258 from last year, as shown in the table below.

Asset Type	June 30, 2023	June 30, 2022	Change
Land	371,368	371,368	-
Construction in Progress	-	18,090	(18,090)
Buildings, net	77,645,920	78,990,107	(1,344,187)
Other Improvements and Infrastructure, net	922,424	53,597	868,827
Equipment, net	882,835	578,946	303,889
Library Resources, net	29,051	51,136	(22,085)
Lease and Subscription Assets, net	175,758	110,370	65,388
Total Capital Assets, net	**80,027,356**	**80,173,614**	**(146,258)**

Note: Figures may not total due to rounding.

The decrease in capital assets is attributable to depreciation and amortization 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, 2023 the College had $1,080,000 in outstanding debt comprised entirely of Certificates of Participation. Additional information concerning notes payable, long-term debt and debt service schedules can be found in Notes 11, 12 and 13 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

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

In FY 2021, we received a significant increase in funding as a result of the Workforce Education Investment Act (E2SHB 2158). The bill created a new fund, the Workforce Education Investment Account. Appropriations from the account are supported by an increase in the Business and Occupation tax. These funds were allocated to the colleges as directed in the legislation. Most of these appropriations are budgeted to continue in FY 2024. There were no other significant changes to the method of allocating funds to college districts. Due to decreases in enrollment within the Community and Technical College system wide, our level of funding has not been impacted by this model yet. However, if our enrollment increases do not stay in par with other colleges in our system, Peninsula College's allocation is at risk of a proportionate decline.

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

Washington’s General Fund revenue collection continues to be strong. The main sources of revenue for Legislative distributions to community colleges are higher than the assumptions that the legislature used when setting the 2023-25 biennial budget. Because of this, it is unlikely that the legislature will look at a budget cut for community colleges and will likely have targeted increases for specific programs in the next few years.

Washington’s personal income growth, which is the main factor in calculating future tuition increases, has grown faster than the country, and faster than the assumptions made by the legislature when creating the 2023-25 biennial budget. While the formula for tuition increases tends to downplay any individual year’s personal income growth due to the large number of years factored into the calculation, overall, the tuition collection environment statewide looks strong.

Currently, Peninsula College is in a financially stable position with sufficient cash flow to support current programs and services and to invest in new instructional programs. The College is maintaining is goal of maintaining reserve balance to maintain business for at least one full academic quarter.

Peninsula College
Statement of Net Position
June 30, 2023

Assets	
Current assets	
Cash and cash equivalents (Note 3)	$ 9,030,189
Restricted cash and cash equivalents (Note 3)	507,829
Accounts Receivable, net of allowance (Note 4)	5,400,872
Inventories	198,555
Interest Receivable	138,619
Note Receivable (Note 4)	5,030,945
Total current assets	20,307,009
Non-Current Assets	
Net Pension Asset (Note 14)	1,277,397
Capital assets:	
Non depreciable assets (Note 5)	371,368
Depreciable assets (Note 5)	79,655,988
Total non-current assets	81,304,753
Total assets	**101,611,762**
Deferred Outflows of Resources	
Deferred Outflows of Resources Related to Pensions (Note 14)	2,387,161
Deferred Outflows of Resources Related to OPEB (Note 15)	1,244,773
Total deferred outflows of resources	**3,631,934**
Liabilities	
Current Liabilities	
Accounts Payable (Note 6)	1,375,098
Accrued Liabilities (Note 6)	881,529
Compensated Absences (Note 9)	2,540
Deposits Payable	10,205
Unearned Revenue (Note 7)	47,358
Leases and Certificates of Participation Payable (Note 13)	526,657
Net Pension liability (Note 14)	48,838
Total OPEB Liability (Note 15)	169,734
Total current liabilities	3,061,959
Non-Current Liabilities	
Compensated Absences (Note 9)	1,599,200
Leases and Certificates of Participation Payable (Note 13)	1,204,650
Net Pension liability (Note 14)	1,556,901
Total OPEB Liability (Note 15)	6,555,504
Total non-current liabilities	10,916,255
Total liabilities	**13,978,214**
Deferred Inflows of Resources	
Deferred Inflows of Resources Related to Pensions (Note 14)	2,539,224
Deferred Inflows of Resources Related to OPEB (Note 15)	6,250,246
Total deferred inflows of resources	**8,789,470**
Net Position	
Net Investment in Capital Assets	78,591,827
Restricted:	
Net Pension Asset	1,545,569
Student Aid	583,860
Unrestricted	1,754,756
Total Net Position	**$ 82,476,012**

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, 2023

Operating Revenues	
State and local grants and contracts	$ 8,882,776
Student tuition and fees (net of scholarship allowance of $2,270,614)	2,592,474
Auxiliary enterprise sales	730,502
Federal grants and contracts	3,216,508
Other operating revenues	663,196
Total operating revenue	**16,085,456**
Operating Expenses	
Salaries and wages	16,451,110
Benefits	4,496,889
Scholarships and fellowships	5,270,190
Depreciation and amortization	2,382,510
Purchased services	4,575,052
Other operating expenses	1,448,646
Non-capitalized furniture and equipment	580,353
Supplies and materials	1,076,058
Utilities	574,637
Total operating expenses	**36,855,445**
Operating income (loss)	**(20,769,989)**
Non-Operating Revenues (Expenses)	
State appropriations	16,344,263
Federal Pell grant revenue	2,538,530
Interest Income	443,350
Building and Innovation fees remitted to state	(500,332)
Interest on indebtedness	(73,232)
Other non-operating expense	(20,485)
Net non-operating revenue (expenses)	**18,732,094**
Income or (loss) before other revenues, expenses, gains, or losses	(2,037,895)
Other Revenues	
Capital appropriations	2,478,086
Increase (Decrease) in net position	**440,190**
Net Position	
Net position, beginning of year	81,630,535
Prior period adjustment - GASB 84 implementation	405,288
Net position, beginning of year, as restated	82,035,822
Net position, end of year	**$ 82,476,012**

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

Peninsula College
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash flow from operating activities	
Student tuition and fees	$ 2,517,534
Grants and contracts	11,391,199
Payments to vendors	(6,815,719)
Payments to employees	(15,967,966)
Payments for benefits	(5,418,704)
Auxiliary enterprise sales	925,389
Payments for scholarships and fellowships	(5,270,190)
Other receipts	663,196
Other payments	(226,406)
Net cash used by operating activities	(18,201,668)
Cash flows from noncapital financing activities	
State appropriations	16,145,620
Pell grants	2,538,530
Building and Innovation fees remitted to state	(500,332)
Net cash provided by noncapital financing activities	18,183,818
Cash flows from capital and related financing activities	
Capital appropriations	2,478,086
Acquisition and construction of capital assets	(2,082,979)
Principal paid on capital debt	(95,000)
Principal payments on Leases Payable	(81,622)
Interest paid on capital debt	(73,232)
Net cash used by capital and related financing activities	145,253
Cash flows from investing activities	
Interest Income	443,350
Net cash provided by investing activities	443,350
Increase (decrease) in cash and cash equivalents	529,737
Cash and cash equivalents at the beginning of the year	9,008,282
Cash and cash equivalents at the end of the year	9,538,018
Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	(20,769,989)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation and Amortization expense	2,382,510
Changes in assets and liabilities	
Receivables, net	300,962
Inventories	(14,633)
Accounts payable	416,867
Accrued liabilities	44,440
Unearned revenue	9,677
Compensated absences	376,499
OPEB adjustment	(318,468)
Pension adjustment	(630,917)
Deposits payable	1,386
Net cash used by operating activities	$ (18,201,668)

There were no noncash capital, financing and investing activities

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

Peninsula College
Statement of Fiduciary Net Position
June 30, 2023

	Custodial Funds
Assets	
Current assets	
Cash and cash equivalents	51,829
Total current assets	51,829
Total assets	**51,829**
Liabilities	
Current Liabilities	
Accounts Payable (Note 6)	1,265
Total current liabilities	1,265
Total liabilities	**1,265**
Net Position	
Individuals, Organizations and Other Governments	50,563
Total Net Position	**50,563**

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

Peninsula College
Statement of Changes in Fiduciary Net Position
June 30, 2023

		Custodial Funds
Additions		
Miscellaneous		10,139
	Total additions	**10,139**
Deductions		
Administrative Expense		6,399
	Total deductions	**6,399**
Net Increase (Decrease) in Fiduciary Net Position		3,741
Net position, beginning of year		46,823
Net position, end of year		**50,563**

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,	2023	2022
Assets		
Assets:		
Cash & cash equivalents	$ 1,853,261	$ 1,670,347
Contributions receivable (less discount of $4,840 and $6,205 for 2023 and 2022, respectively)	110,410	171,921
Loans and miscellaneous receivables	193,449	102,974
Custodial funds	442,615	407,054
Investments	69,953	62,910
Assets restricted for endowment	5,014,885	4,477,187
Total Assets	**$ 7,684,573**	**$ 6,892,393**
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 95,470	$ 175,134
Custodial funds liability	442,615	407,054
Total Liabilities	**538,085**	**582,188**
Net Assets:		
Without donor restrictions:		
Undesignated	210,696	183,927
Total Net Assets Without Donor Restrictions	**210,696**	**183,927**
With donor restrictions	6,935,792	6,126,278
Total Net Assets	**7,146,488**	**6,310,205**
Total Liabilities and Net Assets	**$ 7,684,573**	**$ 6,892,393**

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,			2023
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Public support:			
Contributions	$ 39,893	$ 926,038	$ 965,931
In-kind contributions	248,365	-	248,365
Pirate Athletic Association	109,587	-	109,587
Investment income	39,422	206,120	245,542
Net realized & unrealized gain (loss) on investments	10,790	283,009	293,799
Net assets released from restrictions	605,653	(605,653)	-
Total Support and Revenue	**1,053,710**	**809,514**	**1,863,224**
Expenses:			
Program Services	892,538	-	892,538
Management and General	94,786	-	94,786
Fundraising	39,617	-	39,617
Total Expenses	**1,026,941**	**-**	**1,026,941**
Increase (Decrease) in Net Assets	**26,769**	**809,514**	**836,283**
Net Assets, Beginning of Year	183,927	6,126,278	6,310,205
Net Assets, End of Year	**$ 210,696**	**$ 6,935,792**	**$ 7,146,488**

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,	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 836,283	$ (453,782)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Gain) loss on investments	(539,341)	799,354
(Increase) Decrease in contributions receivable	61,511	77,884
(Increase) Decrease in loans and miscellaneous receivables	(90,475)	(2,100)
Increase (Decrease) in accounts payable	(79,664)	59,583
Net Cash Provided (Used) by Operating Activities	**188,314**	**480,939**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from investments	470,406	508,348
Cash paid for investments	(475,806)	(387,506)
Net Cash Provided (Used) By Investing Activities	**(5,400)**	**120,842**
CASH FLOWS FROM FINANCING ACTIVITIES:	-	-
Net Increase (Decrease) in Cash	182,914	601,781
Cash, Beginning of Year	1,670,347	1,068,566
Cash, End of Year	**$ 1,853,261**	**$ 1,670,347**

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

Notes to the Financial Statements

June 30, 2023

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, transitional studies for adults, and community education. 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 Annual Comprehensive 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, 2023, the Foundation distributed $892,438 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; Statement of Fiduciary Net Position; Statement of Changes in Fiduciary Fund Net Position; 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 the general operating needs of the College. The internal investment pool comprises cash.

Accounts Receivable

Accounts receivable consist 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 rests 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.

Right-to-use lease and subscription assets are recorded at the initial measurement of the lease or subscription liability, plus lease and subscription payment made at/or before the commencement of the term, less any incentives received from the lessor at/or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease and subscription assets are amortized on a straight-line basis over the shorter of the lease or contract term or the useful life of the underlying asset.

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, 2023, 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 2023 summer and fall quarter tuition and fees as unearned revenues.

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

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

The College also reports its share of the net pension liability for the State Board Retirement Plan in accordance with GASB 68 Accounting and Financial Reporting for Pensions and Related Assets.

OPEB Liability
The College reports its share of OPEB liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for postemployment Benefits Other than Pensions* (OPEB). The 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 Net Pension Assets.* The category represents the College's proportionate share of Statewide Net Pension Plan Assets.
- *Restricted for Expendable.* This category includes resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.
- *Unrestricted.* This category represents resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

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

Classification of Revenues and Expenses

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

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

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

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

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State, or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2023, are $ 2,270,614.

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 a monthly basis. 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

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements,* effective for FY23. This Statement provides guidance on the accounting and financial reporting for Subscription-based information technology arrangements (SBITAs) for government end users (governments). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The College is following the State's Office of Financial Management directives to prepare for the implementation of this Statement. As a result of implementation of this statement, the College recorded a prior period adjustment of $153,274 to recognize the subscription-based IT agreement assets and liabilities.

Accounting Standards Impacting the Future

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

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

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

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 the purpose 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 the 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 by the Office of the State Treasurer.

As of June 30, 2023, the carrying amount of the College's cash was $9,538,018. 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.

Statement of Net Position:		
Bank Demand and Time Deposits	225,290	
Deposits in Transit	2,286	
Restricted Cash	507,829	
Local Government Investment Pool	8,796,029	
Petty Cash and Change Funds	6,584	
Statement of Net Position Total		9,538,018
Fiduciary Funds:		
Bank Demand and Time Deposits		51,829
Total Cash and Cash Equivalents		**9,589,847**

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 First Federal Savings & Loan Association. 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, 2023, accounts receivable were as follows:

Accounts Receivable	Amount
Student Tuition and Fees	676,069
Due from the Federal Government	431,200
Due from Other State Agencies	3,150,892
Due from Other Government	594,862
Auxiliary Enterprises	28,512
Other	631,302
Subtotal	5,512,837
Less Allowance for Uncollectible Accounts	(111,965)
Accounts Receivable, net	**5,400,872**

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 outstanding 6/30/22	Additions	Reductions	Balance outstanding 6/30/23	Current Portion
Note Receivable	5,030,945	-	-	5,030,945	5,030,945
Total	5,030,945	-	-	5,030,945	5,030,945

5. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2023, is presented as follows. The current year depreciation expense was $2,294,625 and current year amortization expense was $87,885.

	Beginning Balance As Restated*	Additions/ Transfers	Retirements	Ending Balance
Nondepreciable capital assets				
Land	371,368	-	-	371,368
Construction in Progress	18,090	(18,090)	-	-
Total nondepreciable assets	**389,458**	**(18,090)**	**-**	**371,368**
Depreciable/amortizable:				
Buildings	105,222,864	784,196	-	106,007,059
Other improvements and infrastructure	2,081,495	891,182	-	2,972,677
Intangible right to use equipment	183,948			183,948
Intangible right to use subscriptions	153,274			153,274
Equipment	4,281,211	425,691	-	4,706,902
Library resources	1,641,195	-	-	1,641,195
Subtotal depreciable capital assets	**113,563,987**	**2,101,069**	**-**	**115,665,056**
Less accumulated depreciation/amortization for:				
Buildings	26,232,757	2,125,950	-	28,358,707
Other improvements and infrastructure	2,027,897	22,356	-	2,050,253
Intangible right to use equipment	-	51,096	-	51,096
Intangible right to use subscriptions	73,578	36,789	-	110,367
Equipment	3,702,266	124,235	-	3,826,501
Library resources	1,590,059	22,085	-	1,612,144
Total accumulated depreciation	**33,626,557**	**2,382,511**	**-**	**36,009,068**
Total depreciable/amortizable capital assets	**79,937,430**	**(281,442)**	**-**	**79,655,987**
Capital assets, net of accumulated depreciation/amortization	**80,326,888**	**(299,532)**	**-**	**80,027,356**

*The beginning balance amount for intangible right to use subscriptions includes prior adjustment of $153,274 from implementing GASB 96, which requires a capital asset to be reported for certain subscriptions where the College is thesubscriber based on a present value estimate of certain subscription payments. See Note (10) for additional details.

6. Accounts Payable and Accrued Liabilities

At June 30, 2023, accrued liabilities are the following:

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	399,864
Accounts Payable	1,375,098
Amounts Held for Others and Retainage	481,665
Total	2,256,627

7. Unearned Revenue

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

Unearned Revenue	Amount
2023 Summer & Fall Quarter Tuition & Fees	47,358
Total Unearned Revenue	47,358

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, 2022, through June 30, 2023 were $69,545. Cash reserves for unemployment compensation for all employees at June 30, 2023 were $84,243.

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, 2022, through June 30, 2023, 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 $826,894, and the accrued sick leave totaled $774,846 at June 30, 2023.

10. Right to Use Assets Payable

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 lease amount due for the instructional space at June 20, 2023 is $339,188. The lease liabilities are reported at net present value using the State of Washington's incremental borrowing rate unless otherwise noted in the contract term. As of June 30, 2023, the minimum lease payments under right-to-use leases consist of the following:

Fiscal Year	Principal	Interest	Total
2024	36,787	510	37,297
2025	37,044	255	37,299
2026	-	-	-
2027	-	-	-
2028	-	-	-
Total minimum lease payments	**73,831**	**765**	**74,596**

Subscription Based IT Agreements

The College has contracts for various Subscription-based IT agreements. The associated liabilities are reported at net present value using the State of Washington's incremental borrowing rate unless otherwise noted in the contract term. As of June 30, 2023, the minimum payments under right-to-use contracts consist of the following:

Fiscal Year	Principal	Interest	Total
2024	52,697	582	53,279
2025	55,744	208	55,952
2026	-	-	-
2027	-	-	-
2028	-	-	-
Total IT agreement payments	**108,441**	**790**	**109,231**

11. Notes Payable

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 was 4.175%. In June of 2023, the College completed the refunding of this COP for $1,080,000 at 3.082% interest for a term of ten years.

12. Annual Debt Service Requirements

Future debt service requirements at June 30, 2023 are as follows.

	Certificates of Participation		
Fiscal Year	**Principal**	**Interest**	**Total**
2024	85,000	54,450	139,450
2025	90,000	49,750	139,750
2026	95,000	45,250	140,250
2027	95,000	40,500	135,500
2028	105,000	35,750	140,750
2029-2033	610,000	94,750	704,750
Total	1,080,000	320,450	1,400,450

13. Schedule of Long-Term Liabilities

	Beginning Balance As Restated*	**Additions**	**Reductions**	**Balance outstanding 6/30/23**	**Current Portion**
Certificates of Participation	1,280,000	1,080,000	(1,280,000)	1,080,000	85,000
Original Issue Premium	-	129,847	-	129,847	12,985
Pension Liability	1,262,397	343,342	-	1,605,739	48,838
Total Other Post-Employment Benefits	9,848,298	-	(3,123,060)	6,725,238	169,734
Subscription Based IT Liability	153,274	-	(44,833)	108,441	52,697
Lease Liability	110,366	339,188	(36,535)	413,019	375,975
Compensated Absences	1,246,927	354,813	-	1,601,740	2,540
Total	13,901,262	2,247,190	(4,484,428)	11,664,024	747,769

*The beginning balance amount for intangible right to use subscriptions includes prior adjustment of $153,274 from implementing GASB 96, which requires a capital asset to be reported for certain subscriptions where the College is thesubscriber based on a present value estimate of certain subscription payments. See Note (10) for additional details.

14. Pension Plans

A. General

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

Basis of Accounting

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

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for Peninsula College, for fiscal year 2023:

Aggregate Pension Amounts – All Plans

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Supplemental Plan	Total
Pension liabilities (assets)	728,278.28	(1,265,398.83)	112,322.36	(11,998.29)	765,138.00	328,341.53
Deferred outflows of resources	176,588.82	1,358,005.57	34,917.86	182,729.00	634,920.00	2,387,161.24
Deferred inflows of resources	(120,697.21)	(1,191,069.03)	(20,126.76)	(81,493.84)	(1,125,838.00)	(2,539,224.83)
Pension expense (revenues)	361,702.06	(409,275.91)	87,740.87	(2,895.85)	(64,731.00)	(27,459.82)

Department of Retirement Systems

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

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

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

- Teachers' Retirement System (TRS)

Plan 1 – defined benefit
Plan 2 – defined benefit
Plan 3 – defined benefit/defined contribution

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

Administration of the PERS and TRS systems and plans was funded by an employer rate of 0.18% of employee salaries.

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

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

Higher Education

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

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

PERS

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

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

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

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

<u>Benefits Provided.</u> PERS plans provide retirement, disability, and death benefits to eligible members.

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

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

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

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

PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. PERS Plan 3 members have the option to retire early with reduced benefits. PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

TRS

Plan Description.

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

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

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

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

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

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

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

TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of the service are earned after age 44; or after five service credit years earned in TRS Plan 2 by July 1, 1996. Plan 3 members are immediately vested in the defined contribution portion of their plan. TRS Plan 3 members have the option to retire early with reduced benefits.

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

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

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

The employer contribution rates (expressed as a percentage of covered payroll) and actual contributions for the year ended June 30, 2023, were as follows:

	PERS 1	**PERS 2/3***	**TRS 1**	**TRS 2/3***
Contribution Rate	10.39%	10.39%	14.69%	14.69%
Actual Contributions	$ 176,589	$ 293,948	$ 34,918	$ 43,652

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

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2021, with the results rolled forward to the June 30, 2022, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25%
Investment rate of return	7.00%

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of the 2013-2018 Demographic Experience Study Report and the 2019 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report.

The OSA selected a 7.00 percent long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the WSIB.

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

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

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
Total	**100%**	

The inflation component used to create the above table is 2.20 percent and represents WSIB's most recent long-term estimate of broad economic inflation. There were no material changes in assumptions, benefit terms, or methods for the reporting period.

Pension Expense

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

	Pension Expense
PERS 1	361,702
PERS 2/3	(409,276)
TRS 1	87,741
TRS 2/3	(2,896)
Total	**37,271**

Changes in Proportionate Shares of Pension Liabilities

The changes to the College's proportionate share of pension liabilities from 2021 to 2022 for each retirement plan are listed below:

	Measurement Date		
	2021	2022	Change
PERS 1	. 025135%	. 026156%	0.001021
PER 2/3	.032123%	.034119%	0.001996
TRS 1	.004458%	.005906%	0.001448
TRS 2/3	.004464%	.006097%	0.001633

The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan in relation to the projected contributions of all participating state agencies, actuarially determined.

Discount Rate

The discount rate used to measure the net pension liability was 7.00 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.

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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate.

Pension Plan	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PERS Plan 1	972,971	728,279	514,721
PERS Plan 2/3	1,490,173	(1,265,399)	(3,529,276)
TRS Plan 1	152,519	112,322	77,185
TRS Plan 2/3	217,366	(11,998)	(198,468)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
Pension Liabilities. At June 30, 2023, the College reported a total pension (asset)/liability of ($436,796) for its proportionate share of the net pension (assets)/liabilities as follows:

	Liability	(Asset)	Total Liability (Asset)
PERS 1	728,278		728,278
PERS 2/3		(1,265,399)	(1,265,398)
TRS 1	112,322		112,322
TRS 2/3		(11,998)	(11,998)
Total	840,600	(1,277,396)	(436,796)

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, 2023:

	PERS 1		PERS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-	313,536	28,645
Difference between projected and actual earnings of pension plan investments	-	120,697	-	935,519
Changes of Assumptions	-	-	705,285	184,669
Changes in College's proportionate share of pension liabilities	-	-	45,235	42,236
Contributions to pension plans after measurement date	176,589	-	293,948	-
	176,589	120,697	1,358,004	1,191,069

	TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-	59,781	1,206
Difference between projected and actual earnings of pension plan investments	-	20,127	-	63,458
Changes of Assumptions	-	-	67,592	7,351
Changes in College's proportionate share of pension liabilities	-	-	11,704	9,496
Contributions to pension plans after measurement date	34,918	-	43,652	-
	34,918	20,127	182,729	81,511

The $549,107 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, 2024.

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
2024	(51,077)	(281,452)	(8,533)	(11,590)
2025	(46,391)	(258,010)	(7,758)	(8,916)
2026	(58,196)	(309,266)	(9,758)	(14,531)
2027	34,966	428,652	5,923	35,959
2028	-	148,687		14,287
Thereafter	-	144,378		42,356
	(120,698)	(127,011)	(20,126)	57,565

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

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

Plan Description

The State Board Retirement Plan is a privately administered single employer defined contribution plan with a supplemental defined benefit plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. The College participates in this plan as authorized by chapter 28B.10 RCW and reports its proportionate share of the total pension liability. House Bill 1661, effective fiscal year 2021, created separate Supplemental Retirement Plan (SRP) funds by institution that met the definition of a trust or equivalent arrangement.

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, 2023, were each $789,745.

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

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

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

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

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2023, with the results rolled forward to the June 30, 2023, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	3.50% - 4.00%
Fixed income and Variable income Investment Returns*	N/A

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

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

Most actuarial assumptions used in the January 1, 2023, valuation were based on the results of the August 2021 Higher Education SRP Experience Study. Additional assumptions related to the salary growth were based on feedback from financial administrators of the Higher Education Supplemental Retirement Plans.

Material assumption changes Changes in methods and assumptions that occurred between the measurement of the June 30,2022 NPL and the June 30, 2023, NPL are as follows:

- The valuation date was changed from June 30 to January 1. This corresponds with the new data file being provided with participant information as of January 1, 2023.
- OSA updated annuity conversion assumptions for the TIAA investments based on input from TIAA and professional judgment. TIAA contributions and investment earnings annuity conversion changed from contributions made pre-2002/post-2001 converted at 6.00 percent/3.25 percent to contributions pre-2006/post-2005 converted at 7.00/4.00 percent.

Discount Rate The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligations 20-Bond Municipal Bond Index, or 7.0 percent for the June 30, 2023, measurement date.

Pension Expense

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

Pension Expense for the fiscal year ending June 30, 2023, was $(64,731).

Proportionate Share (%)	**1.40417%**
Service Cost	$ 27,874
Interest Cost	100,640
Amortization of Differences Between Expected and Actual Experience	(61,775)
Amortization of Changes of Assumptions	(66,174)
Changes of Benefit Terms	-
Employee Contributions	-
Expected Earnings on Plan Investments	(32,995)
Amortization of Difference between Projected and Actual Earnings on Plan Investments	(11,519)
Administrative Expenses	-
Other Changes in Fiduciary Net Position	2
Proportionate Share of Collective Pension Expense	**(43,947)**
Amortization of the Change in Proportionate Share of TPL	(20,784)
Total Pension Expense	**$ (64,731)**

Plan Membership

Membership of the State Board Supplemental Retirement Plans consisted of the following as of January 1, 2023, the most recent full actuarial valuation date:

Plan	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
State Board Supplemental Retirement Plan	2	1	69	72

Net Pension Liability/(Asset)

The following table presents the change in net pension liability/(asset) of the State Board Supplemental Retirement Plan as of June 30, 2023:

	2023
Total Pension Liability	
Service Cost	27,874
Interest	100,640
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience[1]	(80,886)
Changes in Assumptions[1]	(160,176)
Benefit Payments	(42,242)
Change in Proportionate Share of TPL	39,763
Net Change in Total Pension Liability	(115,027)
Total Pension Liability - Beginning	1,380,365
Total Pension Liability - Ending (a)	**1,265,338**
Plan Fiduciary Net Position	
Contributions - Employer	12,108
Contributions - Member	-
Net Investment Income	33,151
Benefit Payments	-
Administrative Expense	-
Other	(2)
Net Change in Plan Fiduciary Net Position	45,257
Plan Fiduciary Net Position-Beginning	454,943
Plan Fiduciary Net Position-Ending (b)	500,200
Plan's Net Pension Liability (Asset) -- Ending (a)-(b)	**765,138**
Covered-Employee Payroll	**9,136,105**
Total Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	13.8%

Sensitivity of the Total Pension Liability to Changes in the Discount Rate
The following table presents the net pension liability/(asset), calculated using the discount rate of 7.00 percent, as well as what the employers' total pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

Total Pension Liability/(Asset)	1% Decrease	Current Discount Rate	1% Increase
Peninsula College	906,702	765,138	643,702

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2023, the State Board Supplemental Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected andactual experience	$ 300,183	$ 373,605
Changes of assumptions	256,677	588,685
Changes in College's proportionate share of pension liability	58,135	127,164
Difference between projected and actual investment earnings on pension plan investments	19,925	36,383
Total	$ 634,920	$ 1,125,837

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	
2024	(8,284)
2025	(5,812)
2026	(5,199)
2027	(10,285)
2028	856
Thereafter	(1,321)

15. Other Post-Employment Benefits

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

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

The PEBB OPEB plan is administered by the state and is funded on a pay-as-you-go basis. In the state CAFR the plan is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. It has no assets. The PEBB OPEB plan does not issue a publicly available financial report.

Employees Covered by Benefit Terms. Employers participating in the PEBB plan for the state include general government agencies, higher education institutions, and component units. Additionally, there are 13 of the state's K-12 schools and educational service districts (ESDs), and 261 political subdivisions and tribal governments not included in the state's financial reporting who participate in the PEBB plan. The plan is also available to the retirees of the remaining 227 K-12 schools, charter schools, and ESDs, Membership in the PEBB plan for the state consisted of the following:

Summary of Plan Participants
As of June 30, 2022

Active Employees*	203
Retirees Receiving Benefits**	99
Retirees Not Receiving Benefits***	-
Total Active Employees and Retirees	302

*Reflects active employees eligible for PEBB program participation as of June 30, 2022.
**Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.
**This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future. No benefits are allowed to them unless they choose to join in the future. In order to do so, they must show proof of continuous medical coverage since their separation of employment with the State of Washington that meets the requirements set forth in Washington Administrative Code 182-12-205.

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.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2023, the explicit subsidy was $183 per member per month, and it will remain at $183 per member per month in calendar year 2024.

Notes to the Financial Statements (continued)

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 employee (average across all plans and tiers) is as follows (expressed in dollars):

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

*Per 2022 PEBB Financial Projection Model 7.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2023 which includes projected claims cost at the time of this 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, 2023, the state reported a total OPEB liability of $4.248 billion. The College's proportionate share of the total OPEB liability is $6,725,238. This liability was determined based on a measurement date of June 30, 2022.

Actuarial Assumptions. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified

Inflation Rate	2.35%
Projected Salary Changes	3.25% Plus Service-Based Salary Increases
Health Care Trend Rates*	Initial Rate Changes from about 2-11% reaching an ultimate rate of approximately 3.8% in 2080
Post-Retirement Participation Percentage	60.00%
Percentage with Spouse Coverage	40.00%

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

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

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

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

Actuarial Valuation Date	6/30/2022
Actuarial Measurement Date	6/30/2022
Actuarial Cost Method	Entry Age
Amortization Method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset Valuation Method	N/A - No Assets

The actuarial methodology used to determine the transactions subsequent to the measurement date were as follows:

Explicit Medicare Subsidy	Subsidy amounts are calculated at subscriber level, based on benefit plan and enrollment tier selected, then summed over entire population to include Medicare retirees from the State, Higher Education, K-12 and Political Subdivision groups.
Implicit Medicare Subsidy	Subsidy amounts are calculated using the implicit subsidy rate* (difference between theoretical early retiree rates and composite rates** for non-Medicare risk pool) and the enrollment counts for early retirees

*early retirees assumed to be 58% more expensive the non-Medicare risk pool as a whole on a per adult unit basis.

**calculated across non-Medicare risk pool for both self-insured and fully-insured plans using the PEBB Financial Projection Model (PFPM).

A retiree subsidy rate of $67.99 per member per month, used to calculate the transactions subsequent to the measurement date, is equal to the total subsidies received by current retirees (both explicit and implicit), divided by the number of current active subscribers. This amount is then allocated to the agency level based on the active, health care eligible employee headcount of each agency as of the measurement date.

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 2.16 percent for the June 30, 2021, measurement date and 3.54 percent for the June 30, 2022 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, 2023, 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 (%)		**0.1583055844%**
Service Cost	$	496,117
Interest Cost		230,192
Differences Between Expected and Actual Experience		(227,965)
Changes in Assumptions*		(3,849,007)
Changes of Benefit Terms		-
Benefit Payments		(169,123)
Changes in Proportionate Share		396,724
Net Change in Total OPEB Liability		(3,123,060)
Total OPEB Liability - Beginning		9,848,298
Total OPEB Liability - Ending	**$**	**6,725,238**

*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 3.54 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54 percent) or 1 percentage point higher (4.54 percent) than the current rate:

1% Decrease	Current Discount Rate	1% Increase
$ 7,880,335	$ 6,725,238	$ 5,795,760

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of the College, calculated using the health care trend rates range of 2-11 percent reaching an ultimate range of 3.8 percent as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (1-10 percent) or 1 percentage point higher (3-12 percent) than the current rate:

Health Care Cost Trend Rate Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
$ 5,694,150	$ 6,725,238	$ 8,044,338

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

For the year ending June 30, 2023, the College will recognize OPEB expense of ($148,734). OPEB expense consists of the following elements:

Peninsula College	
Proportionate Share (%)	**0.1583055844%**
Service Cost	$ 496,117
Interest Cost	230,192
Amortization of Differences Between Expected and Actual Experience	4,054
Amortization of Changes in Assumptions	(729,661)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	(149,436)
Total OPEB Expense	**$ (148,734)**

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

Peninsula College		
Proportionate Share (%)	**0.1583055844%**	
Deferred Inflows/Outflows of Resources	**Deferred Outflows**	**Deferred Inflows**
Difference between expected and actual experience	$ 140,197	$ 236,629
Changes in assumptions	551,208	4,875,567
Transactions subsequent to the measurement date	169,734	-
Changes in proportion	383,633	1,138,050
Total Deferred Inflows/Outflows	**$ 1,244,773**	**$ 6,250,246**

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, 2024. 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 (%)		0.1583055844%
2024	$	(875,044)
2025	$	(875,044)
2026	$	(875,041)
2027	$	(704,364)
2028	$	(458,959)
Thereafter	$	(1,386,756)

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 (%) 2021		0.1521754168%
Proportionate Share (%) 2022		**0.1583055844%**
Total OPEB Liability - Ending 2021	$	9,848,298
Total OPEB Liability - Beginning 2022 (chg in prop)		10,245,022
Total OPEB Liability Change in Proportion		396,724
Total Deferred Inflows/Outflows - 2021 (chg in prop)		(865,441)
Total Deferred Inflows/Outflows - 2022 (chg in prop)		(900,304)
Total Deferred Inflows/Outflows Change in Proportion		34,863
Total Change in Proportion	**$**	**431,587**

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, 2023.

Expenses by Functional Classification		
Instruction	$	10,878,361
Academic Support Services		3,354,171
Student Services		5,232,411
Institutional Support		5,428,599
Operation and Maintenance of Plant		3,891,045
Scholarships and other student financial aid		4,207,147
Auxiliary enterprises		1,481,201
Depreciation and Amortization		2,382,510
Total operating expenses	**$**	**36,855,445**

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. Prior Period Adjustment

Beginning Net Position was restated by $405,288 as a result of analysis relating to Statement No. 84, *Fiduciary Activities*. Funds previously held in Fiduciary Funds in error were reclassified to Non-Fiduciary Funds to align with their purpose.

Net Position at June 30, 2022, as previously reported	$ 81,630,535
Reclassification relating to GASB Statement No. 84 Custodial Funds	405,287
Net Position at July 1, 2022, as restated	**$ 82,035,822**

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

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

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

Public Employees' Retirement System (PERS) Plan 1

Measurement Date of June 30, 2022

Measurement Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.026586%	$ 1,339,282	$ 2,673,655	50.09%	61.19%
2015	0.025904%	$ 1,355,020	$ 2,763,035	49.04%	59.10%
2016	0.025437%	$ 1,366,049	$ 2,917,536	46.82%	57.03%
2017	0.026626%	$ 1,263,430	$ 3,195,795	39.53%	61.24%
2018	0.024640%	$ 1,100,431	$ 3,180,379	34.60%	63.22%
2019	0.024836%	$ 955,032	$ 3,437,369	27.78%	67.12%
2020	0.024115%	$ 851,390	$ 3,655,590	23.29%	68.64%
2021	0.025135%	$ 306,957	$ 3,850,292	7.97%	88.74%
2022	0.026156%	$ 728,278	$ 4,283,760	17.00%	76.56%
2023					

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

Cost Sharing Employer Plans

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

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

Public Employees' Retirement System (PERS) Plan 2/3

Measurement Date of June 30, 2022

Measurement Year	College's proportion of the net pension (asset) liability	College proportionate share of the net pension (asset) liability	College covered payroll	College's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.028662%	$ 579,363	$ 2,463,094	23.52%	93.29%
2015	0.029095%	$ 1,039,581	$ 2,590,688	40.13%	89.20%
2016	0.029602%	$ 1,490,417	$ 2,798,109	53.27%	85.82%
2017	0.031570%	$ 1,096,919	$ 3,083,934	35.57%	90.97%
2018	0.029991%	$ 512,070	$ 3,110,241	16.46%	95.77%
2019	0.030981%	$ 300,931	$ 3,381,297	8.90%	97.77%
2020	0.031258%	$ 399,772	$ 3,660,717	10.92%	97.22%
2021	0.032123%	$ (3,199,968)	$ 3,850,292	-83.11%	120.29%
2022	0.034119%	$ (1,265,399)	$ 4,283,760	-29.54%	106.73%
2023					

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

Cost Sharing Employer Plans

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

Schedule of Peninsula College's Proportionate Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 1 Measurement Date of June 30, 2022					
Measurement Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.000806%	$ 23,773	$ 36,681	64.81%	68.77%
2015	0.000852%	$ 26,993	$ 42,123	64.08%	65.70%
2016	0.002600%	$ 88,763	$ 130,249	68.15%	62.07%
2017	0.003451%	$ 104,327	$ 193,563	53.90%	65.58%
2018	0.003933%	$ 114,867	$ 233,781	49.13%	66.52%
2019	0.003237%	$ 80,142	$ 217,809	36.79%	70.37%
2020	0.003834%	$ 92,353	$ 280,174	32.96%	70.55%
2021	0.004458%	$ 30,016	$ 332,402	9.03%	91.42%
2022	0.005906%	$ 112,322	$ 486,246	23.10%	78.24%
2023					

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

Cost Sharing Employer Plans

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

Schedule of Peninsula College's Proportionate Share of the Net Pension (Asset) Liability Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30, 2022					
Measurement Year	College's proportion of the net pension (asset) liability	College proportionate share of the net pension (asset) liability	College covered payroll	College's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.000870%	$ 2,810	$ 36,681	7.66%	96.81%
2015	0.000907%	$ 7,653	$ 42,123	18.17%	92.48%
2016	0.002643%	$ 36,296	$ 130,249	27.87%	88.72%
2017	0.003535%	$ 32,628	$ 193,563	16.86%	93.14%
2018	0.004002%	$ 18,014	$ 233,781	7.71%	96.88%
2019	0.003258%	$ 19,631	$ 217,809	9.01%	96.36%
2020	0.003921%	$ 60,226	$ 280,174	21.50%	91.72%
2021	0.004464%	$ (122,707)	$ 332,402	-36.92%	113.72%
2022	0.006097%	$ (11,998)	$ 486,246	-2.47%	100.86%
2023					

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

Required Supplementary Information (continued)

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Employer Contributions

Public Employees' Retirement System (PERS) Plan 1
Fiscal Year Ended June 30, 2023

Fiscal Year	Contractually Required Contributions	Contributions related to covered payroll of employees Participating in PERS plan 1	Contributions related to covered payroll of employees Participating in PERS plan 2/3	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll of employees participating in PERS 1	Covered payroll of employees participating in PERS 2/3	Total Covered payroll	Contributions as a percentage of covered payroll
2014	$ 117,677	$ 19,141	$ 98,536	$ 117,677	$ -	$ 210,561	$ 2,463,094	$ 2,673,655	4.40%
2015	$ 119,454	$ 15,563	$ 103,891	$ 119,454	$ -	$ 172,347	$ 2,590,688	$ 2,763,035	4.32%
2016	$ 146,362	$ 13,137	$ 133,225	$ 146,362	$ -	$ 119,427	$ 2,798,109	$ 2,917,536	5.02%
2017	$ 159,343	$ 12,305	$ 147,038	$ 159,343	$ -	$ 111,862	$ 3,083,934	$ 3,195,795	4.99%
2018	$ 165,240	$ 8,781	$ 156,459	$ 165,240	$ -	$ 70,138	$ 3,110,671	$ 3,180,809	5.19%
2019	$ 180,044	$ 7,077	$ 172,967	$ 180,044	$ -	$ 56,072	$ 3,381,297	$ 3,437,369	5.24%
2020	$ 173,602	$ (649)	$ 174,251	$ 173,602	$ -	$ (5,127)	$ 3,660,717	$ 3,655,590	4.75%
2021	$ 186,908	$ -	$ 186,908	$ 186,908	$ -	$ -	$ 3,850,292	$ 3,850,292	4.85%
2022	$ 160,303	$ -	$ 160,303	$ 160,303	$ -	$ -	$ 4,283,760	$ 4,283,760	3.74%
2023	$ 176,589	$ -	$ 176,589	$ 176,589	$ -	$ -	$ 4,653,101	$ 4,653,101	3.80%

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

Cost Sharing Employer Plans

Schedules of Employer Contributions

Schedule of Employer Contributions
Public Employees' Retirement System (PERS) Plan 2/3
Fiscal Year Ended June 30, 2023

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 121,079	$ 121,079	$ -	$ 2,463,094	4.92%
2015	$ 130,145	$ 130,145	$ -	$ 2,590,688	5.02%
2016	$ 174,001	$ 174,001	$ -	$ 2,798,109	6.22%
2017	$ 192,041	$ 192,041	$ -	$ 3,083,934	6.23%
2018	$ 232,942	$ 232,942	$ -	$ 3,110,671	7.49%
2019	$ 254,126	$ 254,126	$ -	$ 3,381,297	7.52%
2020	$ 289,915	$ 289,915	$ -	$ 3,660,717	7.92%
2021	$ 304,944	$ 304,944	$ -	$ 3,850,292	7.92%
2022	$ 274,102	$ 274,102	$ -	$ 4,283,760	6.40%
2023	$ 293,948	$ 293,948	$ -	$ 4,653,101	6.32%

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

Cost Sharing Employer Plans

Schedules of Employer Contributions

Schedule of Employer Contributions
Teachers' Retirement System (TRS) Plan 1
Fiscal Year Ended June 30, 2023

Fiscal Year	Contractually Required Contributions	Contributions related to covered payroll of employees Participating in TRS plan 1	Contributions related to covered payroll of employees Participating in TRS plan 2/3	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll of employees participating in TRS 1	Covered payroll of employees participating in TRS 2/3	Total Covered payroll	Contributions as a percentage of covered payroll
2014	$ 1,595	$ -	$ 1,595	$ 1,595	$ -	$ -	$ 36,681	$ 36,681	4.35%
2015	$ 1,912	$ -	$ 1,912	$ 1,912	$ -	$ -	$ 42,123	$ 42,123	4.54%
2016	$ 7,913	$ -	$ 7,913	$ 7,913	$ -	$ -	$ 130,249	$ 130,249	6.08%
2017	$ 12,059	$ -	$ 12,059	$ 12,059	$ -	$ -	$ 193,563	$ 193,563	6.23%
2018	$ 16,371	$ -	$ 16,371	$ 16,371	$ -	$ -	$ 231,717	$ 231,717	7.06%
2019	$ 16,102	$ -	$ 16,102	$ 16,102	$ -	$ -	$ 217,809	$ 217,809	7.39%
2020	$ 20,131	$ -	$ 20,131	$ 20,131	$ -	$ -	$ 280,174	$ 280,174	7.19%
2021	$ 24,572	$ -	$ 24,572	$ 24,572	$ -	$ -	$ 332,402	$ 332,402	7.39%
2022	$ 30,306	$ -	$ 30,306	$ 30,306	$ -	$ -	$ 486,246	$ 486,246	6.23%
2023	$ 34,918	$ -	$ 34,918	$ 34,918	$ -	$ -	$ 547,428	$ 547,428	6.38%

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

Cost Sharing Employer Plans

Schedules of Employer Contributions

Schedule of Employer Contributions Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30, 2023					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 2,134	$ 2,134	$ -	$ 36,681	5.82%
2015	$ 2,417	$ 2,417	$ -	$ 42,123	5.74%
2016	$ 8,638	$ 8,638	$ -	$ 130,249	6.63%
2017	$ 13,008	$ 13,008	$ -	$ 193,563	6.72%
2018	$ 17,809	$ 17,809	$ -	$ 231,717	7.69%
2019	$ 17,054	$ 17,054	$ -	$ 217,809	7.83%
2020	$ 22,813	$ 22,813	$ -	$ 280,174	8.14%
2021	$ 27,091	$ 27,091	$ -	$ 332,402	8.15%
2022	$ 39,000	$ 39,000	$ -	$ 486,246	8.02%
2023	$ 43,652	$ 43,652	$ -	$ 547,428	7.97%

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

Required Supplementary Information (continued)

State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Net Pension Liability and Related Ratios
Peninsula College
Measurement Date of June 30, 2023

	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability							
Service Cost	$ 82,060	$ 57,027	$ 43,447	$ 51,352	$ 64,163	$ 20,289	$ 27,874
Interest	53,232	52,407	52,553	57,766	45,636	68,353	100,640
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(383,804)	(155,002)	99,082	121,713	(411,743)	302,061	(80,886)
Changes of assumptions	(90,588)	(52,437)	186,302	325,214	(743,117)	98,120	(160,176)
Benefit Payments		(19,372)	29,265	(26,072)	(27,357)	(40,592)	(42,242)
Change in Proportionate Share	(13,664)	(23,516)	(27,706)	(69,907)	(127,625)	(9,816)	39,763
Other	-	-	-	-	-	-	-
Net Change in Total Pension Liability	**(352,765)**	**(140,892)**	**382,943**	**460,066**	**(1,200,043)**	**438,415**	**(115,027)**
Total Pension Liability - Beginning	1,792,636	1,439,871	1,298,979	1,681,922	2,141,990	941,950	1,380,365
Total Pension Liability - Ending (a)	**$ 1,439,871**	**$ 1,298,979**	**$ 1,681,922**	**$ 2,141,988**	**$ 941,947**	**$ 1,380,365**	**$ 1,265,338**
Plan Fiduciary Net Position**							
Contributions-Employer	N/a	N/a	N/a	N/a	$ 9,009	$ 11,215	$ 12,108
Contributions - Member	N/a	N/a	N/a	N/a	-	-	-
Net Investment Income	N/a	N/a	N/a	N/a	112,765	700	33,151
Benefit Payments	N/a	N/a	N/a	N/a	-	-	-
Administrative Expense	N/a	N/a	N/a	N/a	-	-	-
Other	N/a	N/a	N/a	N/a	-	-	(2)
Net Change in Plan Fiduciary Net Position					**$ 121,774**	**$ 11,915**	**$ 45,257**
Plan Fiduciary Net Position-Beginning					321,267	443,028	454,943
Plan Fiduciary Net Position-Ending (b)					**$ 443,041**	**$ 454,943**	**$ 500,200**
Plan's Net Pension Liability (Asset) -- Ending (a)-(b)	**$ 1,439,871**	**$ 1,298,979**	**$ 1,681,922**	**$ 2,141,988**	**$ 498,906**	**$ 925,422**	**$ 765,138**
College's Proportion of the Pension Liability	1.51%	1.49%	1.52%	1.46%	1.37%	1.35%	1.40%
Covered-employee payroll	$ 8,470,170	$ 8,513,535	$ 8,856,797	$ 8,872,769	$ 9,226,035	$ 8,524,506	$ 9,136,105
Total Pension Liability as a percentage of covered-employee payroll	17.0%	15.3%	19.0%	24.1%	10.2%	16.2%	13.8%

Schedule of Employer Contributions
State Board Supplemental Retirement Plan
Peninsula College
Fiscal Year Ended June 30, 2023

	2021	2022	2023
Statutorily determined contributions	9,009	11,215	12,108
Actual contributions in relation to the above	9,009	11,215	12,108
Contribution deficiency (excess)	$ -	$ -	$ -
Covered Payroll	$ 9,226,035	$ 8,524,506	$ 9,136,105
Contribution as a % of covered payroll	0.10%	0.13%	0.13%

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

n/a indicates data not available

Notes to Required Supplementary Information

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

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

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

Required Supplementary Information (continued)

Information on Postemployment Benefits Other than Pensions

Schedule of Changes in Total OPEB Liability and Related Ratios Measurement Date of June 30, 2022						
Total OPEB Liability	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Service cost	$ 496,117	$ 492,228	$ 403,098	$ 403,161	$ 545,319	$ 697,852
Interest cost	230,192	212,738	337,197	349,719	374,904	326,878
Difference between expected and actual experience	(227,965)	-	(51,672)	-	342,214	-
Changes in assumptions	(3,849,007)	90,893	218,579	651,268	(2,387,326)	(1,594,517)
Changes in benefit terms	-	-	-	-	-	-
Benefit payments	(169,123)	(162,077)	(160,545)	(159,975)	(158,341)	(166,582)
Changes in proportionate share	396,724	(499,375)	(646,215)	(9,357)	(288,401)	(109,132)
Other	-	-	(343,460)	-	-	-
Net Changes in Total OPEB Liability	$ (3,123,062)	$ 134,407	$ (243,018)	$ 1,234,816	$ (1,571,631)	$ (845,501)
Total OPEB Liability - Beginning	$ 9,848,298	$ 9,713,891	$ 9,956,909	$ 8,722,093	$ 10,293,723	$ 11,139,225
Total OPEB Liability - Ending	$ 6,725,236	$ 9,848,298	$ 9,713,891	$ 9,956,909	$ 8,722,093	$ 10,293,723
College's proportion of the Total OPEB Liability (%)	0.1583055844%	0.1521754168%	0.1604224714%	0.1715566975%	0.1717409534%	0.1766913332%
Covered-employee payroll	$ 14,471,509	$ 12,791,244	$ 12,775,336	$ 12,596,907	$ 12,591,209	$ 11,955,141
Total OPEB Liability as a percentage of covered-employee payroll	46.472250%	76.992492%	76.036285%	79.042490%	69.271290%	86.102903%

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

Notes to Required Supplementary Information

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

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

Board of Trustees
Peninsula College
Port Angeles, Washington

Independent Auditor's Report

We have audited, in accordance with the 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 unit of Peninsula College (College), a component unit of the State of Washington, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 20, 2024. The financial statements of the Peninsula College Foundation (Foundation) were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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

Board of Trustees
Peninsula College
Port Angeles, Washington

weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Irvine, California
March 20, 2024