Tacoma Community College

2020

Financial Statements

Tacoma Community College, located in Tacoma, Washington

Acknowledgements to the College's Financial Services staff for producing this report.

Tacoma Community College
2020 Financial Statements

TACOMA COMMUNITY COLLEGE

Trustees and Administrators

May 22, 2023

Lois Bernstein, Board Chair
Board of Trustees
Tacoma Community College
Tacoma, WA 98466

Dear Chair Bernstein:

I am proud to submit Tacoma Community College's 2020 Comprehensive Annual Financial Report to the Board of Trustees. Management assumes full responsibility for the content and accuracy of this report.

The College was able to successfully transition to fully serve students online when the Washington State Stay Home, Stay Healthy guidance was issued by Governor Inslee in March 2020. We are proud that we have been able to continue providing our diverse community and student body with exceptional learning opportunities during this time and look forward to having students safely return to campus.

Our 2020 report serves as a reminder of the responsibility we have as stewards of public resources. Such a financial audit provides the public confidence in our management of college and state resources. Our auditor, Clark Nuber, N.A., has issued another clean (unmodified) opinion on the College's financial statements. The *Management Discussion and Analysis*, which follows the Independent Auditor's Report, provides the reader a better understanding of our financial position and operating results.

I am pleased to inform you we are well positioned to meet the needs of students and the community.

Sincerely,

Ivan L. Harrell II, Ph.D., President

Independent Auditor's Report

To the Board of Trustees
Tacoma Community College
Tacoma, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the financial statements of the business-type activities, the aggregate discretely presented component unit of the Tacoma Community College (the College), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit of the Tacoma Community College, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Tacoma Community College Foundation, a discretely component unit of the College. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion , insofar as it relates to the amounts included for Tacoma Community College 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 opinions.

Responsibilities of Management for the Financial Statements

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.

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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 judgement, there are conditions or events, considered in 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.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Tacoma Community College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2020, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Schedule of Tacoma Community College's Share of Net Pension Liability, Net Other Postemployment Benefits Liability and Schedules of Contributions 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 GAAS, 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.

Clark Nuber P.S.

Certified Public Accountants
July 28, 2023

Tacoma Community College

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

This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Reporting Entity

Tacoma Community College is one of thirty-four public community and technical college districts in the state of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 11,519 students. The College confers baccalaureate degrees, associates degrees, certificates, and high school diplomas. The College was established in 1965 and its primary purpose is to create meaningful learning, advance equity, and strengthen student and community success.

The College's main campus is located in Tacoma, Washington, a community of about 920,000 residents. The College also has operations in Gig Harbor, Washington. The College is governed by a five-member Board of Trustees appointed by the governor of the state with the consent of the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its discreetly presented component unit, the Tacoma Community College Foundation (the Foundation). The College's financial statements include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2020. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash Flows provides 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 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 at the end of the fiscal year. It presents all of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of the end of the fiscal year. A condensed comparison of the Statements of Net Position as of June 30, 2020 and 2019 is as follows:

Condensed Statements of Net Position

As of June 30 (Dollars in thousands)	2020	2019
ASSETS		
Current assets	$ 37,085	$ 35,310
Capital assets	108,679	111,466
Other non-current assets	6,295	7,191
Total assets	152,059	153,967
DEFERRED OUTFLOWS	6,424	4,090
LIABILITIES		
Current liabilities	18,997	19,040
Other non-current liabilities	45,051	42,632
Total liabilities	64,048	61,672
DEFERRED INFLOWS	11,204	11,947
NET POSITION	$ 83,231	$ 84,438

Current assets consist of cash, cash equivalents, various accounts receivable and inventories. The $1,774,068 increase was the net result of an increase in cash and cash equivalents, although this was partly offset by decreases in accounts receivable, inventories and prepaid expenses. The cash and cash equivalents increases were due in part to improved cash management policies implemented during the year.

Net capital assets decreased by $2,786,904 from FY 2019 to FY 2020. The decrease is primarily the result of current depreciation expense of $3,789,683 combined with capital asset additions of $1,002,779.

Non-current assets consist of investments in 1) INVISTA Performance Solutions, a joint venture with Pierce College and Clover Park Technical College for a corporate education partnership, 2) U.S. government sponsored enterprise bonds and 3) restricted cash which increased to $239,779.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and post-employment benefits associated with the implementation of GASB Statement No. 68 in FY 2015, GASB 73 in FY 2017, and GASB 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) due to differences between expected and actual experience related to the actuarial assumptions. The College recorded $4,089,850 in FY 2019 and $6,424,434 in FY 20 of pension and post-employment related deferred outflows. The increase reflects the change in proportionate share.

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

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

Non-current liabilities primarily consist of the long-term portion of sick leave earned but not yet used by employees, the long-term portion of COP debt, and the long-term portions of pension liabilities and OPEB liability. The net increase in non-current liabilities from FY 2019 to FY 2020 is mainly due to an increase of the non-current portion of the college’s pension liabilities and OPEB benefits.

Net position represents the College’s assets and deferred outflows after liabilities and deferred inflows are deducted. The College is required by accounting standards to report its net position in four categories:

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

Restricted:

Nonexpendable – consists of funds in which a donor or external party has imposed the restriction that the corpus or principal is not available for spending but for investment purposes only. Historically, donors interested in establishing such funds to benefit the College or its students have chosen to do so through the Foundation. As a result, the college is not reporting any balance in this category.

Expendable – resources the College is legally or contractually obligated to spend in accordance with restrictions placed by the 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 institutional financial aid funds.

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.

Net Position

As of June 30 (Dollars in thousands)	2020	2019
Net investment in capital assets	$ 98,977	$ 101,233
Restricted	2,290	1,819
Unrestricted	(18,036)	(18,614)
Total Net Position	$ 83,231	$ 84,438

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position accounts for the College’s changes in total net position during FY 2020. The objective of the statement is to present the revenues earned, both operating and non-operating, and the expenses paid or incurred by the College, along with any other revenue, expenses, gains and losses of the College.

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

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

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

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

As of June 30 (Dollars in thousands)	2020	2019
Operating revenues	$ 38,383	$ 36,649
Operating expenses	77,491	74,755
Net operating loss	(39,108)	(38,106)
Non-operating revenues	38,744	35,138
Non-operating expenses	2,465	2,588
Income (Loss) before capital appropriations	(2,829)	(5,556)
Capital Appropriations	1,622	797
Increase (Decrease) in net position	(1,207)	(4,759)
Net position, beginning of year	84,438	89,197
Net position, end of year	$ 83,231	$ 84,438

Revenues

The State of Washington, through its legislative budget process, appropriates funds to the community and technical college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2018, the SBCTC allocated funds to each of the thirty-four colleges based on the three-year average of full time equivalent (FTE) actual enrollment. Additionally, the Supplemental Budget also reduces the general fund by the amount set aside specifically for Pension Stabilization. This method of allocation continued through FY 2020.

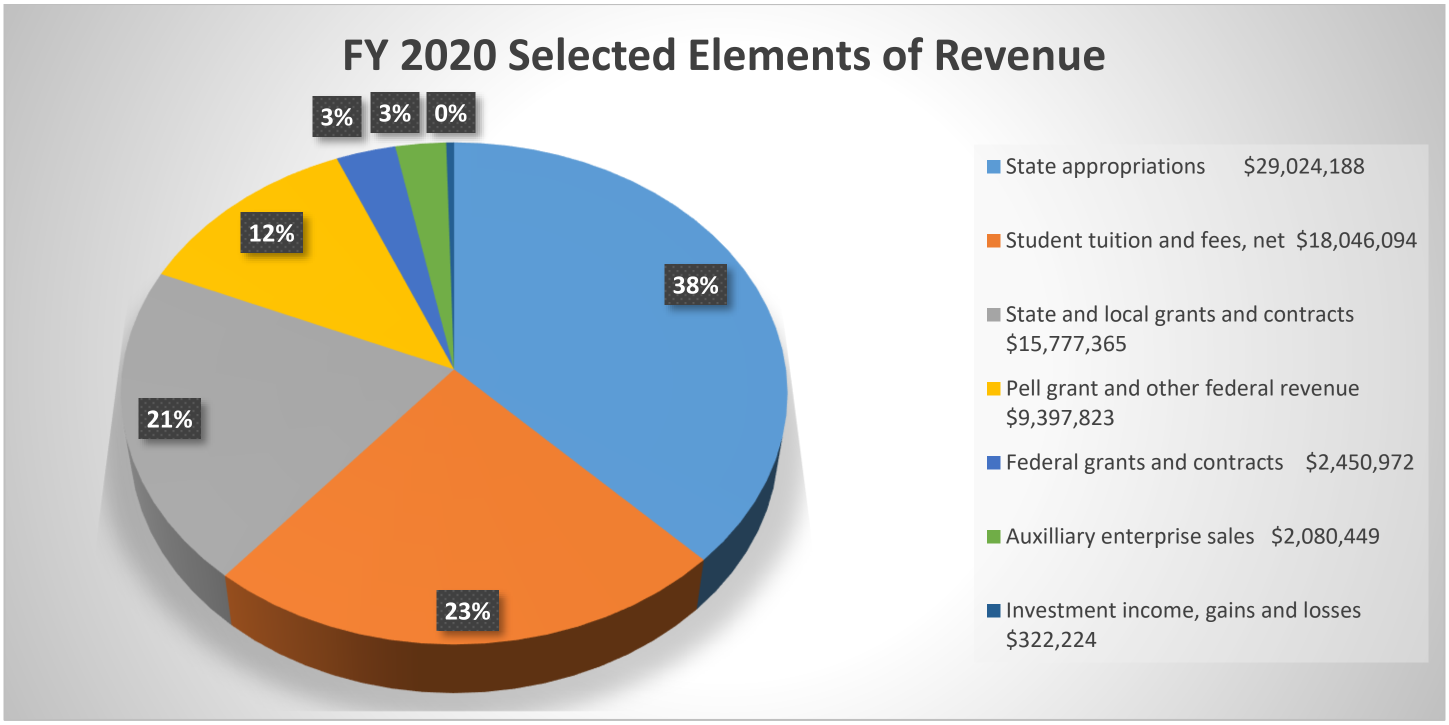
Since Full Time Equivalent (FTE) enrollments increased slightly in FY 2020, the College's increase in tuition and fee revenue is attributable to the increased enrollment and tuition rates. Although the overall headcount decreased, FTE enrollment increased during the year due to more credit hours being taken per student.

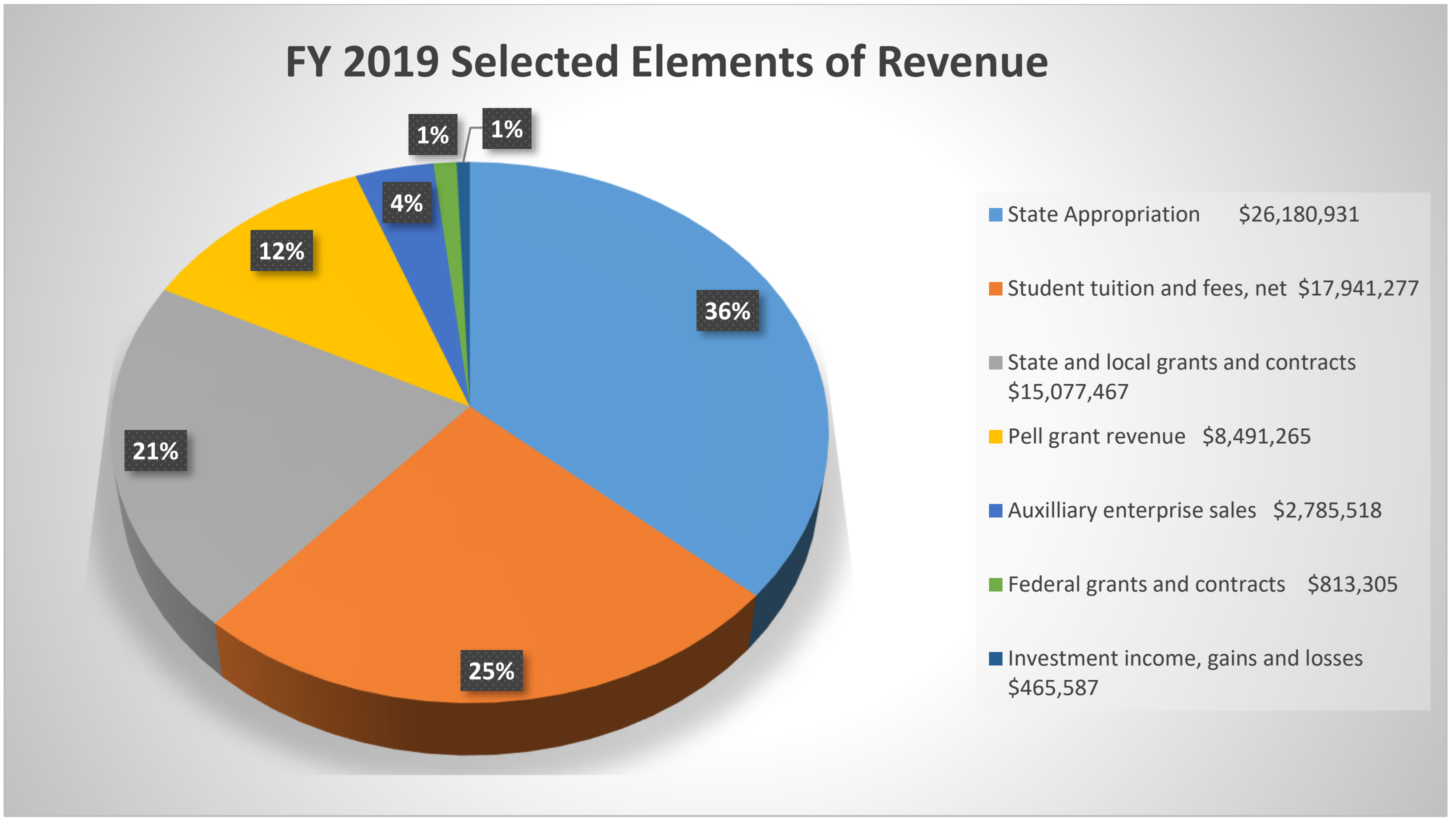
Pell grant revenues generally follow enrollment trends and can fluctuate year to year. Because the College's headcount decreased slightly during FY 2020, the Pell grant also decreased by $181,348.

In FY 2020, grant and contract revenues for federal and state increased primarily due to increases in Department of Education grants when compared with FY 2019. State grants increased due to pass-through funding from SBCTC for certain grants. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses. The College also serves contracted international students who are not supported by state dollars.

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

The following illustrations show revenue by source, both operating and non-operating used to fund the College's programs for the years ended June 30, 2020 and 2019, in percentage terms:





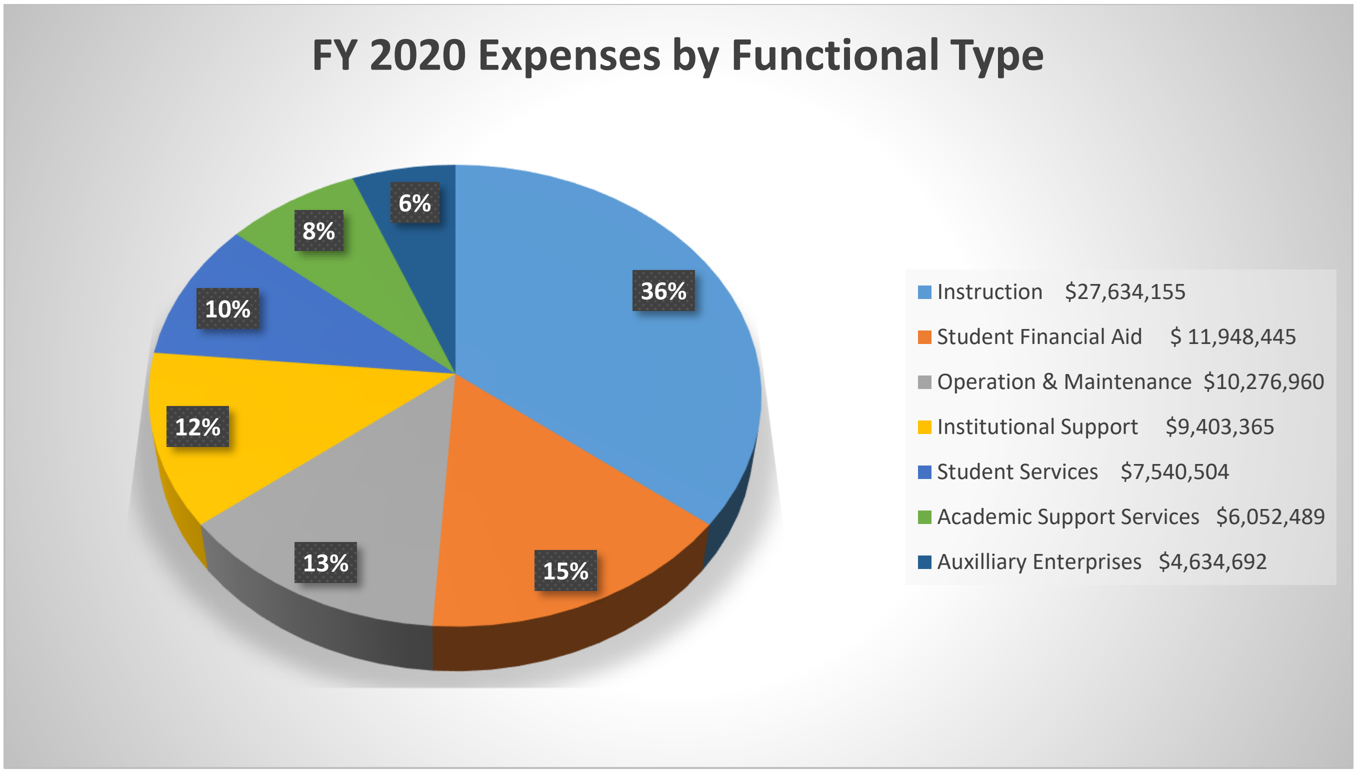
Expenses

The College has continuously sought opportunities to identify savings and efficiencies. Operating expenses for 2020 increased by $2,736,017 over 2019. In FY 2020, salary and wage costs increased as a result of legislated cost of living increases. Employee benefits increased due to increased employer health care premiums and increased employer contributions for retirement plans, that are mandated by state law.

Salaries and wages, employee benefits, and supplies materials and services are the major support costs for the College's programs, followed by scholarships, fellowships and other aid.

Operating Expenses by Function

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



Capital Assets and Related Debt

At June 30, 2020, the College had invested $108,679,300 in capital assets, net of accumulated depreciation. This represents a decrease of $2,786,904 from last year, as shown in the table below.

Capital Assets

As of June 30 (Dollars in thousands)	2020	2019	Change
Land	$ 1,450	$ 1,450	$ -
Construction in progress	367	30	337
Buildings	98,407	101,008	(2,601)
Other improvements/infrastructure	5,969	6,437	(468)
Equipment	2,363	2,417	(54)
Library resources	123	124	(1)
	$ 108,679	$111,466	$(2,787)

At June 30, 2020, the College had $9,435,000 in outstanding debt, made of up Certificates of Participation (COP) with the state treasurer. This represents a reduction by payments of $465,000.

	June 30, 2020	June 30, 2019
Certificates of Participation	$9,435,000	$9,900,000

Additional information for notes payable, long-term debt and debt service schedules can be found in Notes 12, 13 and 14 in the Notes to the Financial Statements.

Economic Factors That May Affect the Future

The greatest impact on enrollment for colleges in general, and community colleges in particular, is the local economy. Economic growth in the Tacoma area was stalled by COVID-19 related restrictions. There is also continued pressure on housing costs in the Tacoma area.

Enrollments may continue to be impacted by COVID-19 restrictions. In 2020, International enrollments declined due to COVID-19 restrictions and the resulting move to remote operations. The College continues its marketing and recruitment efforts to improve international enrollment but is aware that the COVID-19 related travel concerns will continue to subdue international enrollments for the foreseeable future. Management continues to actively monitor the situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

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

In FY 2017, the State Board for Community and Technical College elected to move to a new allocation model, changing how the state allocated funds are distributed to each college. The new model is based on performance in several key indicators, from general enrollments to enrollments in high-cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state.

Statement of Net Position

June 30, 2020

Assets	College	Discrete Component Unit-TCC Foundation
Current Assets		
Cash and cash equivalents	$ 20,569,131	$ 3,961,744
Accounts receivable, net	15,016,080	19,902
Short term investments	999,913	-
Inventories	499,417	-
Total current assets	37,084,541	3,981,646
Non-Current Assets		
Restricted cash and cash equivalents	239,779	-
Other (INVISTA)	541,710	-
Investments	5,513,347	5,400,334
Land and construction in progress	1,817,008	-
Capital assets, net of depreciation	106,862,292	-
Total non-current assets	114,974,136	5,400,334
Total Assets	152,058,677	9,381,980
Deferred Outflows (related to pension plans and OPEB)	6,424,434	-
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	8,693,174	29,956
Compensated absences	1,853,222	-
Unearned revenues	7,455,654	-
Current portion of notes payable	490,000	-
Pension liability	69,425	-
Other post-employment benefits	435,208	-
Total current liabilities	18,996,683	29,956
Non-Current Liabilities		
Compensated absences	2,053,963	-
Long-term portion of notes payable	9,212,493	-
Net pension liability	4,260,919	-
Pension liability	4,719,601	-
Other post-employment benefits	24,804,399	-
Total non-current liabilities	45,051,375	-
Total Liabilities	64,048,058	29,956
Deferred Inflows (related to pension plans and OPEB)	11,204,168	-
Net Position		
Net investment in capital assets	98,976,807	
Restricted:		
Expendable	2,290,355	8,994,806
Unrestricted (deficit) surplus	(18,036,277)	357,218
Total Net Position	$ 83,230,885	$ 9,352,024

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

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2020

	College	Discrete Component Unit TCC Foundation
Operating Revenues		
Student tuition and fees, net	$ 18,046,094	$ -
State and local grant and contracts	15,777,365	452,377
Auxiliary enterprise sales	2,080,449	-
Federal grants and contracts	2,450,972	-
Contributions	-	1,227,330
Other operating revenues	27,909	193,134
Total operating revenue	38,382,789	1,872,841
Operating Expenses		
Salaries and wages	37,789,267	-
Employee benefits	12,563,919	-
Scholarships, fellowships and other aid	11,254,255	-
Supplies, materials and services	10,588,936	-
Depreciation	3,789,683	-
Administrative expenses	-	1,664,381
Utilities	1,211,476	-
Other operating expenses	293,074	-
Total operating expenses	77,490,610	1,664,381
Operating Income (Loss)	(39,107,821)	208,460
Non-Operating Revenues (Expenses)		
State appropriations	29,024,188	-
Federal Pell grant revenue	8,309,917	-
Federal non-operating revenue	1,087,906	-
Investment income	322,224	155,341
Interest expense	(316,220)	-
Building and Innovation Fees	(2,149,248)	-
Net non-operating revenues	36,278,767	155,341
(Loss) Income before capital appropriations	(2,829,054)	363,801
Capital appropriations	1,622,146	-
(Decrease) increase in net position	(1,206,908)	363,801
Net Position		
Net position, beginning of year	84,437,793	8,988,223
Net position, end of year	$ 83,230,885	$ 9,352,024

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

Statement of Cash Flows

For the Year Ended June 30, 2020

	College	Discrete Component Unit-TCC Foundation
Cash Flows from Operating Activities		
Student tuition and fees, net	$ 19,615,314	$ -
Grants and contracts	21,250,108	-
Auxiliary enterprise sales, net	2,080,449	-
Other revenues	27,909	1,538,213
Dividend and interest income	-	156,950
Payments for employees	(50,297,311)	-
Payments to vendors	(16,171,417)	(1,550,109)
Payments for scholarships and fellowships	(10,777,263)	-
Net cash (used in) provided by operating activities	(34,272,211)	145,054
Cash Flows from Noncapital Financing Activities		
State appropriations	28,159,915	-
Federal Pell grant receipts	8,561,721	-
Federal non-operating receipts	1,087,906	-
Permanently restricted endowment contributions	-	21,990
Net cash provided by noncapital financing activities	37,809,542	21,990
Cash Flows from Capital Related Financing Activities		
Capital appropriations	1,622,146	-
Purchase of capital assets	(1,002,779)	-
Principal paid on capital debt	(465,000)	-
Interest paid on capital debt	(381,437)	-
Net cash used in capital related financing activities	(227,070)	-
Cash Flows from Investing Activities		
Purchase of investments	(5,508,643)	(1,316,994)
Sales and maturities of investments	5,526,209	752,901
Investment income	306,954	-
Net cash provided by (used in) investing activities	324,520	(564,093)
Increase in Cash and Cash Equivalents	3,634,781	(397,049)
Cash and Cash Equivalents, Beginning of Year	17,174,129	3,342,228
Cash and Cash Equivalents, End of Year	$ 20,808,910	$ 2,945,179
Reconciliation of Cash and Cash Equivalents:		
Cash and cash equivalents	$ 20,569,131	$ 2,945,179
Restricted cash and cash equivalents	239,779	-
Total cash and cash equivalents	$ 20,808,910	$ 2,945,179

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

	College	Foundation
Reconciliation of Operating Loss to Net Cash (used in) provided by Operating Activities		
Operating Income (Loss)	$ (39,107,821)	$ 208,460
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities		
Depreciation expense	3,789,683	-
Investment income	-	155,341
Net unrealized and realized gain(loss) from investments	25,779	(21,430)
Donated investments and contribution activity	-	(27,235)
Changes in assets and liabilities		
Accounts receivable	2,471,803	18,387
Inventories	174,683	-
Prepaid expenses	107,360	5,820
Accounts payable and accrued expenses	(2,382,231)	(194,289)
Compensated absences	780,130	-
Unearned revenues	418,813	-
Pension obligations	(354,238)	-
Other post-employment benefits	2,881,565	-
Deferred resources	(3,077,737)	-
Net cash (used in) provided by operating activities	$ (34,272,211)	$145,054

Supplemental Non-Cash Activities Information:

Change in Due from State Treasurer (Noncapital related)	$ 864,273
Change in Due to State Treasurer (Noncapital related)	4,394,243

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

Notes to the Financial Statements

June 30, 2020

These notes form an integral part of the financial statements.

Note 1. Summary of Significant Accounting Policies

Financial Reporting Entity

Tacoma Community College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers applied baccalaureate degrees, associate degrees, certificates and high school diplomas. It is governed by a five-member Board of Trustees appointed by the Governor and confirmed by the State Senate. The College is an agency of the State of Washington. The financial activity of the College is included in the State's Comprehensive Annual Financial Report. These notes form an integral part of the financial statements.

The Tacoma Community College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1967 and recognized as a tax exempt 501(c)(3) charitable organization. The Foundation's charitable purpose is to build relationships with the community and to acquire resources to support academic excellence and educational access at the College. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the College or its students, the Foundation is considered a component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. A discrete component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report. The Foundation's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2020, the Foundation distributed approximately $744,755 for College programs for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at 6501 South 19th Street, Building 6, Tacoma, WA 98466.

Joint Venture

INVISTA Performance Solutions (IPS) is a collaboration of four Pierce County colleges: Clover Park Technical College, Pierce College Fort Steilacoom, Pierce College Puyallup, and Tacoma Community College.

Launched in September 2011, IPS operates as a single point of contact for regional businesses to access workforce development services. Their mission is to help companies gain a competitive advantage in the global economy by increasing the skills of their workforce. They offer high quality training and learning solutions to meet and exceed client expectations. IPS is also a member of Global Corporate College and actively works with 45 colleges across the United States and internationally to serve companies with an expanded footprint. IPS has a successful history of delivering high-quality facilitation, coaching, courses, and seminars that are personalized to the performance goals of each business they serve.

IPS has a nine-member governing body, which includes three voting members. The College appoints three members, one of which is a voting member. The College does not have access to IPS assets, nor is it obligated for its debts. The College does have an ongoing financial interest in IPS in that it has rights to revenues in excess of Pierce College's allocated percentage of IPS's gross revenue from the reserve fund in return for performing fiscal agent duties. For the fiscal year ended June 30, 2020, INVISTA's change in net position was a decrease of $45,811 and the total net position was $1,625,130. The College's equity in the joint venture is reflected in these financial statements as a non-current asset. A copy of IPS's complete financial statements may be obtained from the IPS's Administrative Offices at 4500 Steilacoom Blvd. SW Building 19, Lakewood, WA 98499.

Basis of Presentation

The financial statements have been prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* as amended by GASB Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities.* For financial reporting purposes, the College is considered a special-purpose government engaged only in Business Type Activities (BTA). In accordance with BTA reporting, the College presents a Management's Discussion and Analysis; a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial Statements. The format provides a comprehensive, entity-wide perspective of the College's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

Basis of Accounting

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

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

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes. 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 records all cash and cash equivalents at fair value. Investments in the state's LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. All other investments are reported at fair value.

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated for general operating needs of the College. The internal investment pool is comprised of cash, cash equivalents, and investments.

Accounts Receivable

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

Inventories

Inventories, consisting of merchandise for resale in the College bookstore and course-related supplies, are valued at cost using the first in, first out (FIFO) method.

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 be misleading.

Land, buildings, and equipment are recorded at cost, or if acquired by gift, at fair value at the date of the gift. GASB 34 guidance concerning preparing initial estimates for historical cost and accumulated depreciation related to infrastructure was followed. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets, and software with a unit cost of $1,000,000 or more, buildings and infrastructure improvements with a unit cost of $100,000 or more, library collections with a total cost of $5,000 or more and all other assets with a unit cost of $5,000 or more are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as defined by the State of Washington's Office of Financial Management. Useful lives are generally 3 to 7 years for equipment; 15 to 50 years for buildings and 20 to 50 years for infrastructure and land improvements.

In accordance with GASB Statement No. 42, the College reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2020, no assets had been written down.

Unearned Revenues

Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year. Unearned revenues also include tuition and fees paid with financial aid funds. The College has recorded summer and fall quarter 2020 tuition and fees as unearned revenues.

Compensated Absences

College employees accrue annual leave at rates based on employment status and length of service and sick leave at the rate of one day (8 hours) per month for full-time employees with both recorded as liabilities. Employees are entitled to either 25% of the present value of his/her unused sick leave balance on retirement or 25% of his/her net accumulation for the year in which it exceeds 480 hours.

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.

The Internal Revenue Service has determined that the Tacoma Community College Foundation qualifies as an exempt organization under Internal Revenue Code Section 501(c)(3) and as such is exempt from taxation on related income.

INVISTA Performance Solutions (IPS), with the consent of its partners, has elected under the Internal Revenue Code to be a limited liability partnership, reported as a partnership.

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

Other Post-Employment Benefits Liability

In fiscal year 2018, the College implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)*. This Statement requires the College to recognize its proportionate share of the state's actuarially determined OPEB liability with a one-year lag measurement date similar to GASB 68.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

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

Net Position

The College's net position is classified as follows:

- *Net Investment in Capital Assets*. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- *Restricted for Expendable*. These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.

- *Unrestricted*. These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

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

Classification of Revenues and Expenses

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

- *Operating Revenues.* This includes activities that are directly related to the principal operations of the College, such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts that primarily support the operational/educational activities of the College. Examples include a contract with the Office of the Superintendent of Public Instruction to offer the Running Start program. The College also receives Adult Basic Education grants that support the primary educational mission of the College.

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

- *Non-operating Revenues*. This includes activities that are not directly related to the ongoing operations of the College, such as gifts and contributions, state appropriations, investment income and Pell Grants received from the federal government. In FY 2020, non-operating revenues also included funds received through the federal CARES Act.

- *Non-operating Expenses*. Non-operating expenses include state remittances related to the building and innovation fees collected from students, along with interest incurred on the Certificate of Participation debt.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2020 were $4,654,088.

State Appropriations

The State of Washington appropriates funds to the College on both an annual and biennial basis. These revenues are reported as non-operating revenues on the Statements of Revenues, Expenses, and Changes in Net Position, and recognized as such when the related expenses are incurred.

Building and Innovation Fees

Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature and is subject to change annually. The fee provides funding for capital construction and projects on a community and technical college system wide basis using a competitive biennial allocation process. Building Fees are required to be remitted on the 35th day of each quarter. The Innovation Fee was established in order to fund the State Board of Community and

Technical College's Strategic Technology Plan. The use of the fund is to implement new ERP software across the entire system. On a regular basis, the College remits the portion of tuition collected for the Building and Innovation Fees to the State Treasurer for allocation to the community and technical college system. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the Statement of Revenues, Expenses and Changes in Net Position.

Note 2. Accounting and Reporting Changes

Accounting Standards Impacting the Future

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

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be effective for the fiscal year ending June 30, 2022. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The College is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.

Note 3. Deposits and Investments

Deposits

Cash and cash equivalents include bank demand deposits, petty cash held at the College and unit shares in the Washington State Treasurer's Local Government Investment Pool (LGIP). The Office of the State Treasurer invests state treasury cash surpluses where funds can be disbursed at any time without prior notice or penalty. For reporting purposes, pooled investments are stated at amortized cost, which approximates fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value due to changes in interest rates. For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Investments in Local Government Investment Pool (LGIP)

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

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized costs. The LGIP transacts with its participants at a stable net asset value per share of one dollar, which approximates amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

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

As of June 30, 2020, the carrying amount of the College's cash and cash equivalents was $20,808,910 as represented in the table below:

Cash and Cash Equivalents		**June 30, 2020**
Petty cash and change funds	$	9,000
Bank demand deposits		11,277,672
Local government investment pool		9,522,238
Total Cash and Cash Equivalents	$	20,808,910
Restricted cash	$	239,779
Unrestricted cash		20,569,131
Total Cash and Cash Equivalents	**$**	**20,808,910**

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. All of the College's demand deposits are with Key Bank, N.A. All cash and equivalents, except for change funds and petty cash held by the College, are insured by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the Washington Public Deposit Protection Commission (PDPC).

Investments

The College has investments in U.S. Government sponsored enterprise bonds with staggered maturities in $1 million to $1.5 million amounts. The College measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles.

Fair value measurement is based on the assumptions that market participants would use in pricing the asset. The three levels of the fair value hierarchy are described as:

Level 1 – Quoted market prices: Unadjusted quoted prices available in active markets for identical assets or liabilities

Level 2 – Observable inputs: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3 – Unobservable inputs that are significant to the fair value measurement.

Bonds held by the College are obligations of United States Government sponsored enterprises and are classified as Level 2 in the fair value hierarchy. As of June 30, 2020, the fair value of investments was $6,513,260.

Investment Maturities (in Years)

Investment Type	**Fair Value**	**<1**	**1 to 5**	**6 to 10**	**>10**
U.S. Agency Bonds	$ 6,513,260	$ 999,913	$ 5,513,347	$ -	$ -
Total Investments	**$ 6,513,260**	**$ 999,913**	**$ 5,513,347**	**$ -**	**$ -**

Although bonds are issued with clearly defined maturities, an issuer may be able to redeem, or call, a bond earlier than its maturity date. The College must then replace the called bond with a bond that may have a lower yield than the original yield. The call feature causes the fair value to be highly sensitive to changes in interest rates.

Interest Rate Risk—Investments

The College manages its exposure to interest rate changes by limiting the duration of investments to shorter maturities and laddering investments to mature at various times. Unless matched to a specific cash flow, the College generally will not directly invest in securities maturing more than five years from the date of purchase.

Concentration of Credit Risk—Investments

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

Investments are listed by issuer in the table below. Government sponsored enterprises (GSE's), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Corp (FHLMC), all issue agency bonds. Each of these agencies has a credit rating of AAA that represents an exceptional degree of credit worthiness. Resolution Funding Corporation (RFCSP) securities are obligations of the U.S. Treasury.

Issuer	Fair Value	Rating*
FHLB	$ 2,507,002	AAA
FFCB	2,005,745	AAA
FHLMC	1,000,600	AAA
RFCSP	999,913	NR AGY
Total Investments	$ 6,513,260	

*NR AGY=Non-Rated U.S. Government Agency

Custodial Credit Risk—Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2020, the College's investments held by U.S. Bank are in the College's name are therefore not exposed to custodial credit risk.

Investment Expenses

Investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2020 were $807.

Note 4. Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenses made according to sponsored agreements. At June 30, 2020, accounts receivable were as follows:

Accounts Receivable		June 30, 2020
Student tuition and fees	$	9,900,299
Due from the federal government		1,001,294
Due from Office of the State Treasurer		4,241,736
Due from other state agencies		900,009
Due from other governments		165
Other		72,577
Subtotal		16,116,080
Allowance for uncollectable accounts		(1,100,000)
Accounts Receivable, net	$	15,016,080

Note 5. Inventories

Inventories as of June 30, 2020, were as follows:

Inventories	Method	June 30, 2020
Bookstore Merchandise Inventories	FIFO	$ 499,417

Note 6. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2020 is presented as follows. The current year depreciation expense was $3,789,683.

	June 30, 2019	Additions	Transfers	June 30, 2020
Non-depreciable Capital Assets				
Land	$ 1,450,071	$ -	$ -	$ 1,450,071
Construction in progress	29,744	366,937	(29,744)	366,937
Total non-depreciable assets	1,479,815	366,937	(29,744)	1,817,008
Depreciable Capital Assets				
Buildings	137,070,077		-	137,070,077
Improvements other than buildings	9,654,192		-	9,654,192
Furniture, fixtures and equipment	13,028,325	601,969	29,744	13,660,038
Library resources	3,036,366	33,873	-	3,070,239
Total depreciable assets	162,788,960	635,842	29,744	163,454,546
Accumulated Depreciation				
Buildings	36,061,716	2,601,250	-	38,662,966
Improvements other than buildings	3,217,134	467,747	-	3,684,881
Furniture, fixtures and equipment	10,611,039	686,280	-	11,297,319
Library resources	2,912,682	34,406	-	2,947,088
Total Accumulated Depreciation	52,802,571	3,789,683	-	56,592,254
Depreciable capital assets, net of depreciation	109,986,389	(3,153,841)	-	106,862,292
Total capital assets, net of depreciation	$ 111,466,204	$ (2,786,904)	$ -	$ 108,679,300

Note 7. Accounts Payable and Accrued Liabilities

Accrued liabilities as of June 30, 2020, were as follows:

Accounts Payable and Accrued Liabilities	**June 30, 2020**
Amounts owed to employees	$ 747,193
Accounts payable	7,945,981
Total	$ 8,693,174

Note 8. Unearned Revenue

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

Unearned Revenue	**June 30, 2020**
Summer and Fall Tuition and Fees	$ 7,455,654

Note 9. Risk Management

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

The College purchases commercial property insurance through the master property program administered by the Department of Enterprise Services for buildings that were acquired with Certificate of Participation 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 the State of Washington risk management self-insurance program, which covers its exposure to tort, general damage and vehicle claims. Premiums paid to the State are based on actuarially determined projections and include allowances for payments of both outstanding and current liabilities. Coverage is provided up to $10,000,000 for each claim with no deductible. The College has had no claims in excess of the coverage amount within the past three years.

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The College finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2019 through June 30, 2020, were $76,548.

Note 10. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled $1,853,222 and accrued sick leave totaled $2,053,963 at June 30, 2020.

Note 11. Leases

Operating Leases

The College has leases for copiers, printers and other office equipment with various vendors. These leases are classified as operating leases. As of June 30, 2020, the minimum lease payments under operating leases consist of the following:

Fiscal Year	Operating Leases
2021	50,847
2022	102,571
2023	102,981
2024	102,981
2025	91,197
2026-2030	90,005
Total minimum lease payments	$ 540,582

Note 12. Notes Payable

In 2015, the College obtained financing in order to build the Health and Wellness Center through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $9,700,000. The students assessed themselves, on a quarterly basis, a mandatory fee to service the debt starting in 2016. The interest rate charged is 3.42%.

In 2016, the College obtained financing in order to refinance the Childcare Center through COP, issued by the OST in the amount of $1,365,000. The students assessed themselves, on a quarterly basis, a mandatory fee to service the debt starting in 2016. The interest rate charged is 2.24%.

Student fees related to the COPs are accounted for in a dedicated fund, which is used to pay principal and interest, not coming out of the general operating budget. The College's debt service requirements for these note agreements for the next five years and thereafter are as follows in Note 13.

	Childcare Center		Health and Wellness Center		Total
Fiscal Year	Principal	Interest	Principal	Interest	Principal
2021	$ 105,000	$ 47,200	$ 385,000	$ 310,488	$ 490,000
2022	110,000	41,950	405,000	290,738	515,000
2023	115,000	36,450	425,000	269,988	540,000
2024-2028	670,000	88,500	2,400,000	1,078,856	3,070,000
2029-2033	0	0	2,855,000	619,263	2,855,000
2034-2036	0	0	1,965,000	112,010	1,965,000
	1,000,000	214,100	8,435,000	2,681,343	9,435,000
Unamortized premium	267,493	-	-	-	267,493
Subtotal	1,267,493	214,100	8,435,000	2,681,343	9,702,493
Less Current Portion	(105,000)	-	(385,000)	-	(490,000)
Total	$ 1,162,493	$214,100	$ 8,050,000	$ 2,681,343	$ 9,212,493

Note 13. Annual Debt Service Requirements

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

Certificates of Participation

Fiscal Year	Principal	Interest	Total
2021	490,000	357,688	847,688
2022	515,000	332,688	847,688
2023	540,000	306,438	846,438
2024	570,000	284,778	854,778
2025	585,000	261,869	846,869
2026-2029	6,735,000	1,351,982	8,086,982
Total	$ 9,435,000	$ 2,895,443	$ 12,330,443

Interest expense for these Certificates of Participation totaled $316,220 for 2020.

Note 14. Schedule of Long-Term Liabilities

	June 30, 2019	Additions	Reductions	June 30, 2020	Current Portion
Certificates of participation	$ 10,232,710	$ -	$ 530,217	$ 9,702,493	$ 490,000
Compensation absences	3,127,054	780,131	-	3,907,185	1,853,222
Net pension liability	5,603,939	-	1,343,020	4,260,919	-
Pension liability	3,800,244	988,782	-	4,789,026	69,425
OPEB liability	22,358,042	2,881,565	-	25,239,607	435,208
Total	$ 45,121,989	$ 4,650,478	$ 1,873,237	$ 47,899,230	$ 2,847,855

Note 15. Retirement Plans

A. General

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

Basis of Accounting

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

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

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

Aggregate Pension Amounts - All Pension Plans	
Pension liabilities	$ (9,049,944)
Deferred outflows of resources related to pensions	$ 3,717,574
Deferred inflows of resources related to pensions	$ (3,406,508)
Pension expense	$ 2,203,480

Department of Retirement Systems

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

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

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

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan. Administration of the PERS and TRS plans is funded by an employer rate of 0.18 percent of employee salaries.

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

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

Higher Education

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

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

PERS

Plan Description

The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in RCW chapters 41.34 and 41.40 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 Plan 2 members have the option to retire early with reduced benefits.

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

PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after 5 years of service, if 12 months of that service are earned after age 44. PERS Plan 3 members have the option to retire early with reduced benefits. PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

<u>Contributions</u>

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine contribution requirements are established under state statute. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS covered employment.

TRS

Plan Description

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

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

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

Benefits Provided

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

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

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

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

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

Contributions

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

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

The employer contribution rates (expressed as a percentage of covered payroll) and actual contributions for the year ended June 30, 2020 were as follows:

	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution rate	12.68%	12.68%	15.32%	15.32%
Annual contributions	$ 493,555	$ 821,212	$ 137,486	$ 155,325

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

Actuarial Assumptions

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

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the 2007-2012 Experience Study Report and the 2017 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report.

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

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

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	2.2%
Tangible assets	7%	5.1%
Real estate	18%	5.8%
Global equity	32%	6.3%
Private equity	23%	9.3%
Total	**100%**	

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

Discount rate

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

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

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

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

	1% Decrease 6.4%	Current Discount Rate 7.4%	1% Increase 8.4%
PERS 1	$3,284,582	$2,622,802	$2,048,619
PERS 2/3	6,559,393	855,246	(3,825,384)
TRS 1	803,589	628,731	477,053
TRS 2/3	840,048	154,140	(403,550)

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

Notes to the Financial Statements

June 30, 2020

Pension Liabilities

At June 30, 2020, the College reported a total pension liability of $4,260,919 for its proportionate share of the net pension liabilities as follows:

Pension Plan	Total
PERS 1	$2,622,802
PERS 2/3	855,246
TRS 1	628,731
TRS 2/3	154,140

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

	2018	2019	Change
PERS 1	0.069920%	0.068207%	-0.001713%
PERS 2/3	0.089424%	0.088048%	-0.001376%
TRS 1	0.028249%	0.025395%	-0.002854%
TRS 2/3	0.028752%	0.025582%	-0.003170%

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

Pension Expense

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

Pension Plan	Pension Expense
PERS 1	$ 41,128
PERS 2/3	180,660
TRS 1	(56,585)
TRS 2/3	85,748
TOTAL	$ 250,951

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	PERS 1		PERS 2/3		TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-	245,030	183,873	-	-	107,176	4,960
Difference between expected and actual earnings of pension plan investments	-	175,225	-	1,244,889	-	48,219	-	133,077
Changes of assumptions	-	-	21,900	358,832	-	-	58,110	40,955
Changes in the College's proportionate share of pension liabilities	-	-	253,378	146,901	-	-	32,958	28,275
Contributions subsequent to the measurement date	493,555	-	821,212	-	137,486	-	155,325	-
Totals	$ 493,555	$ 175,225	$ 1,341,520	$ 1,934,496	$ 137,486	$ 48,219	$ 353,570	$ 207,266

The $1,607,579 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2021.

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

Fiscal Year	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2020	$ (38,682)	$ (354,718)	$ (9,898)	$ (18,978)
2021	(91,626)	(606,097)	(25,886)	(48,033)
2022	(32,698)	(250,530)	(9,103)	(8,798)
2023	(12,219)	(118,825)	(3,332)	4,908
2024	-	(78,802)	-	16,128
Thereafter	-	(5,216)	-	45,752
Total	$ (175,225)	$ (1,414,188)	$ (48,219)	$ (9,021)

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 RCW chapter 28B.10 and reports its proportionate share of the total pension liability. State Board makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals, no assets are accumulated in trusts or equivalent arrangements.

Contributions

Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2020 were $1,729,949 and $1,731,775, respectively.

Benefits Provided

The State Board Supplemental Retirement Plans (SRP) provide retirement, disability, and death benefits to eligible members. As of July 1, 2011, all the SRPs were closed to new entrants. Members are eligible to receive benefits under this plan at age 62 with 10 years of credited service. The supplemental benefit is a lifetime benefit equal to the amount a member's goal income exceeds their assumed income. The monthly goal income is the one-twelfth of 2 percent of the member's average annual salary multiplied by the number of years of service (such product not to exceed one-twelfth of fifty percent of the member's average annual salary). The member's assumed income is an annuity benefit the retired member would receive from their defined contribution retirement plan benefit in the first month of retirement had they invested all employer and member contributions equally between a fixed income and variable income annuity investment. Plan members have the option to retire early with reduced benefits.

The SRP pension benefits are unfunded. For the year ended June 30, 2020, supplemental benefits were paid by the SBCTC on behalf of the system in the amount of $1,785,384. The College's share of this amount was $58,289. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Higher Education Retirement Plan (HERP) Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During fiscal year 2020, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $100,658. This amount was not used as a part of GASB 73 calculations its status as an asset has not been determined by the Legislature. As of June 30, 2020, the Community and Technical College system accounted for $23,208,875 of the fund balance.

Actuarial Assumptions

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

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

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

Most actuarial assumptions used in the June 30, 2018 valuation were based on the results of the April 2016 Supplemental Plan Experience Study. Additional assumptions related to the fixed income and variable income investments were based on feedback from financial administrators of the Higher Education Supplemental Retirement Plans. Material assumption changes during the measurement period include the discount rate decrease from 3.50 percent to 2.21 percent.

Discount Rate

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

Pension Expense

Pension expense for the fiscal year ending June 30, 2020 was $253,993.

Proportionate Share: 3.26504%	**June 30, 2020**
Service cost	$ 114,813
Interest	129,151
Amortization of differences between expected and actual experience	(82,592)
Amortization of changes of assumptions	120,825
Proportionate share of collective pension expense	**282,198**
Amortization of the change in proportionate share of TPL	(28,205)
Total pension expense	**$ 253,993**

Proportionate Shares of Pension Liabilities

The College's proportionate share of pension liabilities for fiscal year ending June 30, 2020 was 3.27%. The College's proportion of the total pension liability was based on a projection of the College's long-term share of contributions to the pension plan to the projected contributions of all participating Colleges. The College's change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources are represented in the following table:

Proportionate Share 2019	**3.44%**
Proportionate Share 2020	**3.27%**
Ending total pension liability 2019	$ 3,800,248
Beginning total pension liability 2019	3,604,121
Change in total pension liability proportion	(196,127)
Total deferred inflows/outflows 2019	454,311
Total deferred inflows/outflows 2020	430,864
Change in total deferred inflows/outflows proportion	(23,447)
Total Change in Proportion	$ (219,574)

Plan Membership

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

Inactive members (or beneficiaries) currently receiving benefits	3
Inactive members entitled to but not yet receiving benefits	12
Active members	213
Total members	228

Notes to the Financial Statements

June 30, 2020

Change in Total Pension Liability

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

Schedule of Changes in Total Pension Liability	**June 30, 2020**
Service cost	$ 114,813
Interest	129,151
Changes of benefit terms	-
Differences between expected and actual experience	272,124
Changes in assumptions	727,108
Benefit payments	(58,289)
Change in proportionate share of TPL	(196,129)
Other	-
Net change in total pension liability	988,777
Total pension liability, beginning	3,800,248
Total pension liability, ending	**$ 4,789,026**

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

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

	1% Decrease	**Current Discount Rate**	**1% Increase**
Discount rate	2.50%	3.50%	4.50%
Total pension liability	5,506,962	4,789,025	4,197,513

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

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

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 387,042	$ 604,120
Changes of assumptions	911,502	164,290
Changes in the College's proportionate share of pension liability	92,897	272,893
Transactions subsequent to the measurement date	-	-
Total	$ 1,391,441	$ 1,041,302

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:

Fiscal Year	SBRP
	$
2021	13,579
2022	13,579
2023	13,579
2024	67,387
2025	148,131
Thereafter	110,889

Note 16. Other Post-Employment Benefits

Plan Description

In addition to pension benefits as described in Note 15, the College, through the Washington State Health Care Authority (HCA), administers a single employer defined benefit through the 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 ACFR, the plan is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. The PEBB OPEB plan has no assets and does not issue a publicly available financial report.

Employees Covered by Benefit Terms

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

Summary of Plan Participants	June 30, 2020
Active employees*	539
Retirees receiving benefits**	146
Retirees not receiving benefits***	1
Total active employees and retirees	686

*Reflects active employees eligible for PEBB program participation as of June 30, 2020.
**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 the Washington Administrative Code 182-12-205.

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

Benefits Provided

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2018, the average weighted implicit subsidy was valued at $347 per adult unit per month, and in calendar year 2019, the average weighted implicit subsidy was valued at $347 per adult unit per month. In calendar year 2020, the average weighted implicit subsidy is projected to be $373 per adult unit per month.

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

Contribution Information

Administrative costs as well as implicit and explicit subsidies are funded by required contributions (RCW 41.05.050) from participating employers. The subsidies provide monetary assistance for medical benefits. Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis. The estimated monthly cost for PEBB benefits for the reporting period for each active employee (average across all plans and tiers) is as follows:

Required Premium*	**June 30, 2020**
Medical	$ 1,100
Dental	81
Life	4
Long-term disability	2
Total	1,187
Employer contribution	1,024
Employee contribution	162
Total	$ 1,186

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

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

Total OPEB Liability

As of June 30, 2019, the state reported a total OPEB liability of $5.8 billion. The College's proportionate share of the total OPEB liability is $25,239,607. This liability was determined based on a measurement date of June 30, 2019.

Actuarial Assumptions

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

	June 30, 2018
Inflation rate	2.75%
Projected salary changes	3.50% plus service-based salary increases
Health care trend rates*	Trend rate assumptions vary slightly by medical plan. The initial rate is approximately 8%, reaching an ultimate rate of approximately 4.5% in 2080
Post-retirement participation coverage	65%
Percent with spouse coverage	45%

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

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

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

Actuarial Methodology

The total OPEB liability was determined using the following methodologies:

Actuarial valuation date	6/30/2018
Actuarial measurement date	6/30/2019
Actuarial cost method	Entry age
Amortization method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset valuation method	N/A - no assets

Discount Rate

Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.87 percent for the June 30, 2018 measurement date and 3.5 percent for the June 30, 2019 measurement date. Additional detail on assumptions and methods can be found on OSA's website: http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx

Changes in Total OPEB Liability

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

Proportionate Share: 0.4348762797%	June 30, 2020
Service cost	$ 1,021,966
Interest cost	886,497
Changes in assumptions*	1,650,891
Benefit payments	(405,519)
Changes in proportionate share	(272,270)
Net change in total OPEB liability	2,881,565
Total beginning OPEB liability	22,358,042
Total ending OPEB liability	$ 25,239,607

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

Sensitivity of the Total Liability to Changes in the Discount Rate

The following represents the total OPEB liability of the College, calculated using the discount rate of 3.5 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.5 percent) or 1 percentage point higher (4.5 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Discount rate	2.5%	3.5%	4.5%
Total OPEB liability	$ 30,564,319	$ 25,239,607	$ 21,103,883

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following represents the total OPEB liability of the College, calculated using the health care trend rates of 8.00 percent decreasing to 4.50 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (7.00 percent decreasing to 3.50 percent) or 1 percentage point higher (9.0 percent decreasing to 5.50 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Discount rate	7 – 3.5%	8 – 4.5%	9 – 5.5%
Total OPEB liability	$ 20,427,629	$ 25,239,607	$ 31,715,798

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

For the year ending June 30, 2020, the College will recognize OPEB expense of $1,032,511. OPEB expense consists of the following elements:

Proportionate Share: 0.4348762797%	June 30, 2020
Service cost	$ 1,021,966
Interest cost	886,497
Amortization of differences between expected and actual experience	96,282
Amortization of changes in assumptions	(924,295)
Changes in benefit terms	-
Amortization of changes in proportion	(47,939)
Administrative expenses	-
Other	-
Total OPEB Expense	$ 1,032,511

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

Proportionate Share: 0.4348762797%	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	$ -	$ 673,977
Changes of assumptions	7,318,049	1,467,459
Transactions subsequent to the measurement date	-	435,208
Changes in proportion	479,611	130,216
Total	**$ 7,797,660**	**$ 2,706,860**

Amounts reported as deferred outflow of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense in subsequent years for the College as follows:

Fiscal Year	Proportionate Share: 0.4348762797%
2021	(875,953)
2022	(875,953)
2023	(875,953)
2024	(875,953)
2025	(875,953)
Thereafter	$ (1,146,243)

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

Proportionate Share 2018	0.4402373734%
Proportionate Share 2019	**0.4348762797%**
Ending total OPEB liability 2018	$ 22,358,042
Beginning total OPEB liability 2019	22,085,772
Change in OPEB liability proportion	(272,270)
Total deferred inflows/outflows 2018	(7,339,376)
Total deferred inflows/outflows 2019	(7,249,998)
Change in total deferred inflows/outflows proportion	89,378
Total Change in Proportion	$ (361,648)

Note 17. 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 summarizes operating expenses by program or function such as instruction, academic support, and student services. The following table lists operating expenses by program for the year ending June 30, 2020.

Expenses by Functional Classification

Instruction	$ 27,634,155
Scholarship, Fellowship and Other Aid	11,948,445
Operation and Maintenance	10,276,960
Institutional support	9,403,365
Student Services	7,540,504
Academic Support Services	6,052,489
Auxiliary Enterprises	4,634,692
Total operating expenses	$ 77,490,610

Instruction

Instruction includes expenses for all activities that are part of the College's instruction program. Expenses for credit and non-credit courses; academic, vocational/technical instruction, and the Running Start program are included in this category. The College's professional and continuing education programs are also included in this category.

Scholarship, Fellowship and Other Aid

This category includes expenses for scholarship, fellowships and other financial aid not funded from existing College resources and includes an offset to tuition revenues for scholarship discounts and allowances, which represents the difference between stated charged and the amount the student pays. Expenditures of amounts received from the Washington State Need Grant and Federal Pell Grant are also included in this category.

Operation and Maintenance

Operation and maintenance category includes administration, operation, maintenance, preservation and protection of the College's physical plant.

Institutional Support

Institutional support category includes central activities that manage long-range planning for the College, such as the office of the president, human resources, fiscal operations, procurement, payroll, advancement and community relations.

Student Services

The student services category includes the offices of registrar (enrollment), financial aid, advising and counseling and veteran services.

Academic Support

Academic support includes expenses incurred to provide support services for the College's primary mission of instruction. The activities of the College's academic administration, libraries and information technology support are included in this category.

Auxiliary Enterprises

Auxiliary enterprises furnish goods and services to students, staff and the general public much like a for-profit business does, along with activities for student body organizations and student athletics. Operating as self-supporting activities, the College's Bookstore and Early Learning Center are included in this category.

Note 18. Commitments and Contingencies

The College has commitments of $3,370,127 for various capital improvement projects that include construction and renovations of existing buildings.

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

Note 19. Discretely Presented Component Unit

Tacoma Community College Foundation (the Foundation) is a non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation is formed for the purpose of furthering the public education of Tacoma Community College students, faculty and staff. The Foundation supports educational and cultural programs and activities through the solicitation of funds and development of various resources. Its primary sources of support come from contributions and investment income.

As discussed in Note 1, the Foundation has been included in the reporting entity as a component unit. Although the Foundation is not deemed to be a governmental entity and uses a different reporting model, its balances and transactions have been converted to follow governmental accounting for reporting in the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.

During the year ended June 30, 2020, the College received $470,167 from the Foundation for scholarships paid to students.

In accordance with the agreement between the Foundation and Tacoma Community College, the College provides the Foundation with office space including utilities, office furniture and equipment, and office materials and supplies. The College also pays the salaries of the Foundation's executive director and staff. The value of these contributions is recognized in the Foundation's financial statements at their estimated fair value. For the year ended June 30, 2020, the Foundation recorded an in-kind donation of $302,741.

The Foundation's audited financial statements may be obtained by sending a written request to Tacoma Community College Foundation, 6501 South 19th Street, Building 6, Tacoma, Washington 98466.

Note 20. Related Party Transactions

As noted in Note 1, Tacoma Community College is a partner in INVISTA, a joint venture with other colleges. At June 30, 2020, the equity in the joint venture was $541,710 which is reflected in these financial statements as a non-current other asset.

Note 21. Subsequent Events

In March 2020, the Governor of the State of Washington, Jay Inslee, declared a state of emergency in response to the spread of coronavirus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, colleges and universities, cancelling public events and limiting gathering sizes.

This negatively impacted enrollment, especially international students as restrictions were put in place limiting their ability to travel. The pandemic caused a sudden decline in the College's student enrollment which resulted in lower-than-expected tuition revenues in 2021.

Tacoma Community College was awarded COVID-19 funding under the CARES Act as part of the Higher Education Emergency Relief Funding (HEERF I). Tacoma Community College was awarded $ 1,917,937 for the student financial assistance, and $1,917,937 for the institutional aid and a HEERF funding and supplemental amount of $191,467.

In August 2020, Governor Inslee awarded the State Board for Community and Technical Colleges, $44,000,000 from the state's CARES Act GEERS funding. It was the general intent of the Governor that this money would backfill for lost 2020 tuition revenue. The distribution of these dollars resulted in Tacoma Community College being allocated $853,039 in FY 2021.

In FY 2021, under HEERF II, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), TCC received additional funding of $1,917,937 for student financial aid, $5,554,916 for institutional funding and $315,539 supplemental aid.

In FY 2022, under HEERF III, Strengthening Institution, TCC received additional federal funding of $6,709,298 for student financial aid and $6,439,230 for institutional funding.

Required Supplementary Information

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

Fiscal Year	College's proportion of the net pension liability	College's proportionate share of net pension liability	College's covered payroll	College's proportionate share of net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2014	0.071009%	$ 3,577,112	$ 7,654,246	46.73%	61.19%
2015	0.070262%	$ 3,675,357	$ 7,817,054	47.02%	59.10%
2016	0.067166%	$ 3,607,131	$ 7,809,288	46.19%	57.03%
2017	0.074105%	$ 3,516,340	$ 9,206,205	38.20%	61.24%
2018	0.069920%	$ 3,122,651	$ 9,579,278	32.60%	63.22%
2019	0.068207%	$ 2,622,801	$ 9,705,662	27.02%	67.12%
2020					
2021					
2022					
2023					

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

Share of Net Pension Liability
Public Employees' Retirement System (PERS) Plan 2/3
Measurement Date of June 30*

Fiscal Year	College's proportion of the net pension liability	College's proportionate share of net pension liability	College's covered payroll	College's proportionate share of net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.087035%	$ 1,759,292	$ 7,309,523	24.07%	93.29%
2015	0.085667%	$ 3,060,931	$ 7,586,581	40.35%	89.20%
2016	0.082762%	$ 4,167,001	$ 7,669,021	54.34%	85.82%
2017	0.092848%	$ 3,226,024	$ 9,102,809	35.44%	90.97%
2018	0.089424%	$ 1,526,835	$ 9,579,278	15.94%	95.77%
2019	0.088048%	$ 855,245	$ 9,705,662	8.81%	97.77%
2020					
2021					
2022					
2023					

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

Share of Net Pension Liability
Teachers' Retirement System (TRS) Plan 1
Measurement Date of June 30*

Fiscal Year	College's proportion of the net pension liability	College's proportionate share of net pension liability	College's covered payroll	College's proportionate share of net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.022661%	$ 668,376	$ 1,000,168	66.83%	68.77%
2015	0.024741%	$ 783,830	$ 1,235,803	63.43%	65.70%
2016	0.024300%	$ 829,660	$ 1,185,409	69.99%	62.07%
2017	0.028158%	$ 851,292	$ 1,581,621	53.82%	65.58%
2018	0.028249%	$ 825,038	$ 1,650,570	49.99%	66.52%
2019	0.025395%	$ 628,730	$ 1,894,198	33.19%	70.37%
2020					
2021					
2022					
2023					

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

Share of Net Pension Liability
Teachers' Retirement System (TRS) Plan 2/3
Measurement Date of June 30*

Fiscal Year	College's proportion of the net pension liability	College's proportionate share of net pension liability	College's covered payroll	College's proportionate share of net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.024435%	$ 78,922	$ 1,046,335	7.54%	96.81%
2015	0.026239%	$ 221,405	$ 1,216,928	18.19%	92.48%
2016	0.024739%	$ 339,740	$ 1,201,607	28.27%	88.72%
2017	0.028846%	$ 266,232	$ 1,581,622	16.83%	93.14%
2018	0.028752%	$ 129,417	$ 1,713,212	7.55%	96.88%
2019	0.0255820%	$ 154,140	$ 1,894,198	8.14%	96.31%
2020					
2021					
2022					
2023					

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

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

Fiscal Year	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency/ (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 314,705	$ 314,705	$ -	$ 7,654,246	4.11%
2015	$ 322,924	$ 322,924	$ -	$ 7,817,054	4.13%
2016	$ 380,894	$ 380,894	$ -	$ 7,809,288	4.88%
2017	$ 445,761	$ 445,761	$ -	$ 9,206,205	4.84%
2018	$ 467,361	$ 467,361	$ -	$ 9,270,866	5.04%
2019	$ 489,844	$ 489,844	$ -	$ 9,579,278	5.11%
2020	$ 493,555	$ 493,555	$ -	$ 9,705,662	5.09%
2021					
2022					
2023					

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

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

Fiscal Year	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency/ (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 367,669	$ 367,669	$ -	$ 7,309,523	5.03%
2015	$ 381,605	$ 381,605	$ -	$ 7,586,581	5.03%
2016	$ 477,780	$ 477,780	$ -	$ 7,669,021	6.23%
2017	$ 567,105	$ 567,105	$ -	$ 9,102,809	6.23%
2018	$ 690,007	$ 690,007	$ -	$ 9,212,377	7.49%
2019	$ 719,800	$ 719,800	$ -	$ 9,579,278	7.51%
2020	$ 821,212	$ 821,212	$ -	$ 9,705,662	8.46%
2021					
2022					
2023					

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

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

Fiscal Year	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency/ (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 44,811	$ 44,811	$ -	$ 1,000,168	4.48%
2015	$ 55,364	$ 55,364	$ -	$ 1,235,803	4.48%
2016	$ 73,851	$ 73,851	$ -	$ 1,185,409	6.23%
2017	$ 98,535	$ 98,535	$ -	$ 1,581,621	6.23%
2018	$ 117,486	$ 117,486	$ -	$ 1,634,019	7.19%
2019	$ 126,786	$ 126,786	$ -	$ 1,650,570	7.68%
2020	$ 137,486	$ 137,486	$ -	$ 1,894,198	7.26%
2021					
2022					
2023					

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

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

Fiscal Year	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency/ (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 59,955	$ 59,955	$ -	$ 1,046,335	5.73%
2015	$ 69,730	$ 69,730	$ -	$ 1,216,928	5.73%
2016	$ 80,748	$ 80,748	$ -	$ 1,201,607	6.72%
2017	$ 106,285	$ 106,285	$ -	$ 1,581,622	6.72%
2018	$ 130,556	$ 130,556	$ -	$ 1,667,382	7.83%
2019	$ 129,143	$ 129,143	$ -	$ 1,713,212	7.54%
2020	$ 155,325	$ 155,325	$ -	$ 1,894,198	8.20%
2021					
2022					
2023					

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

Schedule of Changes in Total Pension Liability and Related Ratios
State Board Supplemental Defined Benefit Plans
Fiscal Year Ended June 30

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Service cost	$ 186,386	$ 128,214	$ 98,167	$ 114,813						
Interest	120,908	117,828	118,743	129,151						
Differences between expected and actual experience	(871,751)	(348,492)	223,873	272,124						
Changes of assumptions	(205,757)	(117,895)	420,943	727,108						
Benefit payments	(31,036)	(43,553)	(62,601)	(58,292)						
Change in proportionate share		(86,038)	80,612	(196,129)						
Other	-	-	-	-						
Net change in total pension liability	**(801,250)**	**(349,936)**	**879,737**	988,775						
Total pension liability - beginning	**4,071,693**	**3,270,443**	**2,920,507**	**3,800,244**						
Total pension liability - ending	**$ 3,270,443**	**$ 2,920,507**	**$ 3,800,244**	**$ 4,789,023**						
College's proportion of the pension liability	3.441%	3.35%	3.44%	3.27%						
Covered employee payroll	$ 19,200,963	$ 18,923,508	$ 20,323,849	$20,131,614						
Total pension liability as a percentage of covered employee payroll	17.03%	15.43%	18.70%	23.79%						

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

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.

Schedule of Changes in Total OPEB Liability and Related Ratios
Measurement Date of June 30*

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Service cost	$ 1,728,623	$ 1,397,859	$ 1,021,966							
Interest cost	809,698	961,021	886,497							
Difference between expected and actual experience	-	877,225	-							
Changes in assumptions	(3,949,720)	(6,119,624)	1,650,891							
Changes in benefit terms	-	-	-							
Benefit payments	(412,635)	(405,887)	(405,519)							
Changes in proportionate share	240,857	145,234	(272,270)							
Other	-	-	-							
Net changes in total OPEB liability	**$ (2,064,891)**	**$ (3,140,172)**	**$ 2,881,565**							
Total OPEB liability - beginning	**27,563,105**	**25,498,214**	**22,358,042**							
Total OPEB liability - ending	**$ 25,498,214**	**$ 22,358,042**	**$ 25,239,607**							
College's proportion of total OPEB liability	0.606%	0.440%	0.435%							
Covered employee payroll	$ 30,153,421	$ 29,927,821	$ 31,606,768							
Total OPEB liability as a percentage of covered employee payroll	74.147613%	85.199033%	79.85507%							

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

ADDITIONAL AUDITOR'S REPORT

IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Clark Nuber PS

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*

Independent Auditor's Report

To the Board of Trustees
Tacoma Community College
Tacoma, Washington

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 (*Government Auditing Standards*), the financial statements of the business-type activities, the aggregate discretely presented component unit of Tacoma Community College (the College), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated July 28, 2023.

Our report includes a reference to other auditors who audited the financial statements of Tacoma Community College Foundation, as described in our report on the College's financial statements. The financial statements of Tacoma Community College 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 compliance and other matters associated with Tacoma Community College Foundation or that are reported on separately by those auditors who audited the financial statements of Tacoma Community College Foundation.

The financial statements of the Tacoma Community College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2020, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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.

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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 weaknesses. We did identify certain deficiency in internal control, described in the accompanying schedule of findings and responses as items 2020-001, that we consider to be a significant deficiency.

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 financial statements. 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*.

The College's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The College's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Clark Nuber P.S.

Certified Public Accountants
July 28, 2023

Clark Nuber PS

TACOMA COMMUNITY COLLEGE

Schedule of Findings and Responses
For the Year Ended June 30, 2020

Finding 2020-001 - Significant Delays in Finalizing the Audit

Issue:	The audit took significant time to complete as the Accounting Team shift between priorities of attending to the College's growing day to day operational needs and preparing for an audit.
Recommendation:	We recommend that management continue to prioritize audits and ensure that resources and time are allocated through completion and reporting phase of the audit.
Management Response:	The Finance Department has hired a new Budget Specialist and Student Financials Supervisor to free up the Financial Accounting staff. In addition, we will hire a Fiscal Specialist in January 2024. This additional staff should provide the additional bandwidth for the accounting staff to be able to complete audits in a timely manner.

Graduation Day

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