

Tacoma Community College

2021 Annual Comprehensive Financial Report



Tacoma Community College, located in Tacoma, Washington



Tacoma Community College 2021 Financial Statements

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TACOMA COMMUNITY COLLEGE

Board of Trustees and Administrative Officers

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College Leadership

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Bill Ryberg, M.M., Vice President of College Advancement



March 13, 2024

Pat Shuman, Board Chair
Board of Trustees
Tacoma Community College
Tacoma, WA 98466

Dear Chair Shuman:

I am proud to submit Tacoma Community College's 2021 Financial Statement 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 and developed hybrid delivery systems for classes in 2021. 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 students have now returned to campus.

Our 2021 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, P.S., 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 Tacoma Community College (the College), as of and for the year ended June 30, 2021, 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, 2021, 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, 2021, 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
March 13, 2024

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, 2021 (FY 2021).

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 10,008 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 925,000 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.

These financial statements include the Tacoma Community College Foundation (the 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.

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, 2021. 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, 2021 and 2020 is as follows:

Condensed Statements of Net Position

As of June 30 (Dollars in thousands)

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets	\$ 35,975	\$ 37,085
Capital assets	108,491	108,679
Other non-current assets	6,597	6,295
Total assets	<u>151,063</u>	<u>152,059</u>
DEFERRED OUTFLOWS	<u>6,585</u>	<u>6,424</u>
LIABILITIES		
Current liabilities	12,441	18,997
Other non-current liabilities	40,656	45,051
Total liabilities	<u>53,097</u>	<u>64,048</u>
DEFERRED INFLOWS	<u>12,649</u>	<u>11,204</u>
NET POSITION	<u>\$ 91,902</u>	<u>\$ 83,231</u>

Current assets consist of cash, cash equivalents, various accounts receivable and inventories. The \$1.1 million decrease was the net result of a decrease in cash and cash equivalents and inventories, although this was partly offset by an increase in accounts receivable and short-term investments.

Net capital assets decreased by \$188 thousand from FY 2020 to FY 2021. The decrease is primarily the result of current depreciation expense of \$3.6 million combined with the disposal of certain assets which were not fully depreciated. This was partly offset with capital asset additions of \$3.6 million.

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 \$573 thousand.

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 and GASB Statement No. 75. 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 \$6.4 million in FY 2020 and \$6.5 million in FY 2021 of pension and post-employment related deferred outflows. The increase reflects the change in proportionate share.

Similarly, the increase in deferred inflows in FY 2021 reflects the increase in the difference between actual and projected investment earnings on the state's pension plans and other post-employment benefits. The College recorded \$11.2 million in FY 2020 and \$12.6 million in FY 2021 of pension and post-employment related deferred inflows.

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. When compared to FY 2020, FY 2021 payables decreased due to paying off inter-agency payables.

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 decrease in non-current liabilities from FY 2020 to FY 2021 is mainly due to a decrease of the non-current portion of the College’s pension liabilities, OPEB benefits and long-term portion of notes payable.

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 for 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.

Restricted for 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. Prudent balances are maintained for use as working capital, as a reserve against emergencies and for other purposes, in accordance with policies established by the Board of Trustees.

Net Position

As of June 30 (Dollars in thousands)	<u>2021</u>	<u>2020</u>
Net investment in capital assets	\$ 99,338	\$ 98,977
Restricted	2,785	2,290
Unrestricted	<u>(10,221)</u>	<u>(18,036)</u>
Total Net Position	<u>\$ 91,902</u>	<u>\$ 83,231</u>

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position accounts for the College’s changes in total net position during FY 2021. The objective of the statement is to present the revenues 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, 2021 and 2020 is presented below:

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

As of June 30 (Dollars in thousands)	2021	2020
Operating revenues	\$ 37,022	\$ 38,383
Non-operating revenues	43,417	38,744
Total revenues	80,439	77,127
Operating expenses	73,990	77,491
Non-operating expenses	2,400	2,465
Total expenses	76,390	79,956
Income (Loss) before capital appropriations	4,049	(2,829)
Capital Appropriations	4,622	1,622
Increase (Decrease) in net position	8,671	(1,207)
Net position, beginning of year	83,231	84,438
Net position, end of year	\$ 91,902	\$ 83,231

Revenues

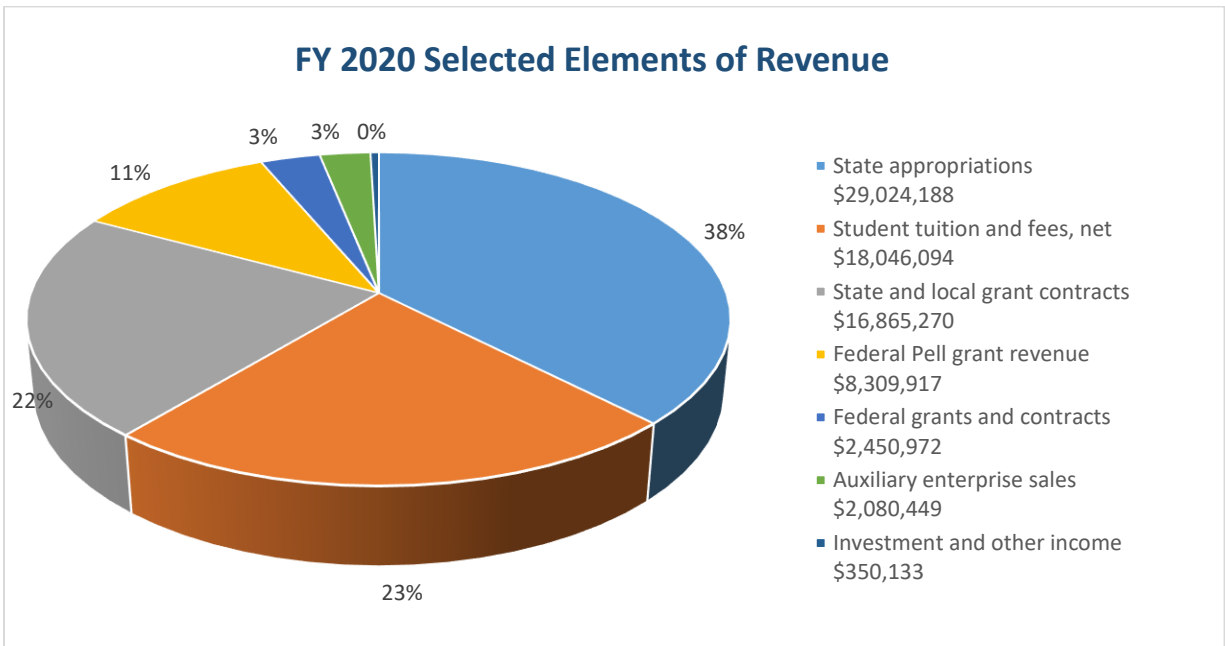
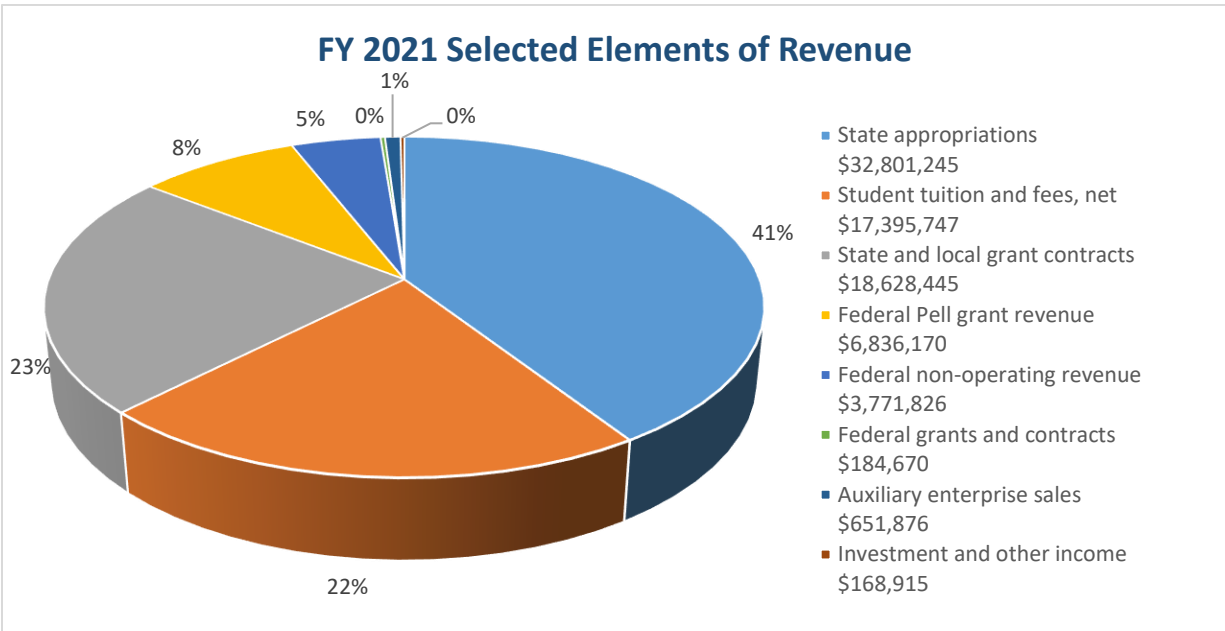
The State of Washington, through its legislative budget process, appropriates funds to the community and technical college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. The SBCTC allocated funds to each of the thirty-four colleges based on a 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 was continued through in FY 2021.

In FY 2021 the College's decrease in tuition and fee revenue of approximately \$650 thousand is primarily attributable to the impact of the enrollment decline related to the shift to online and hybrid instruction. Pell Grant revenues declined by approximately \$1.4 million, also as a direct result of declining enrollment. The College was able to recoup lost revenue for several programs from the CARES Federal grant funding in order to ensure ongoing operations.

In FY 2021, grant and contract revenues increased by \$1.7 million primarily due to increases in program grants when compared with FY 2020. The College continued to serve students under the terms of contracted programs. 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, 2021 and 2020, in percentage terms:



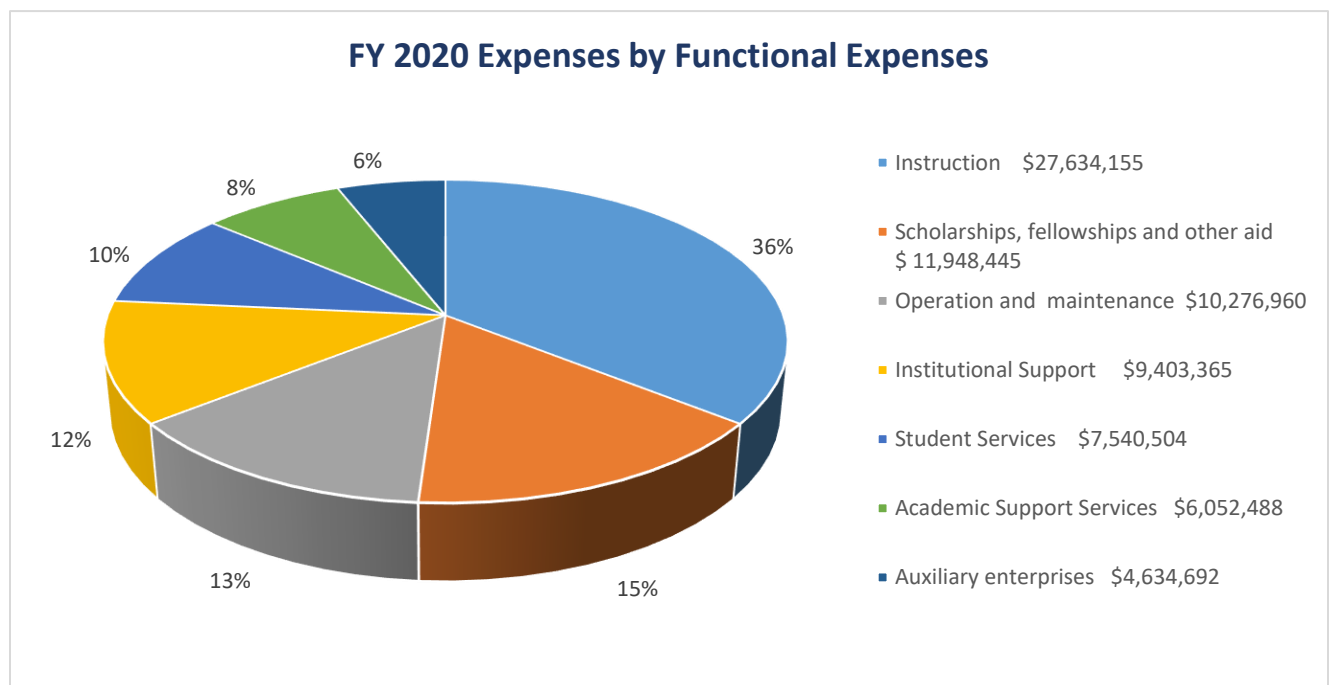
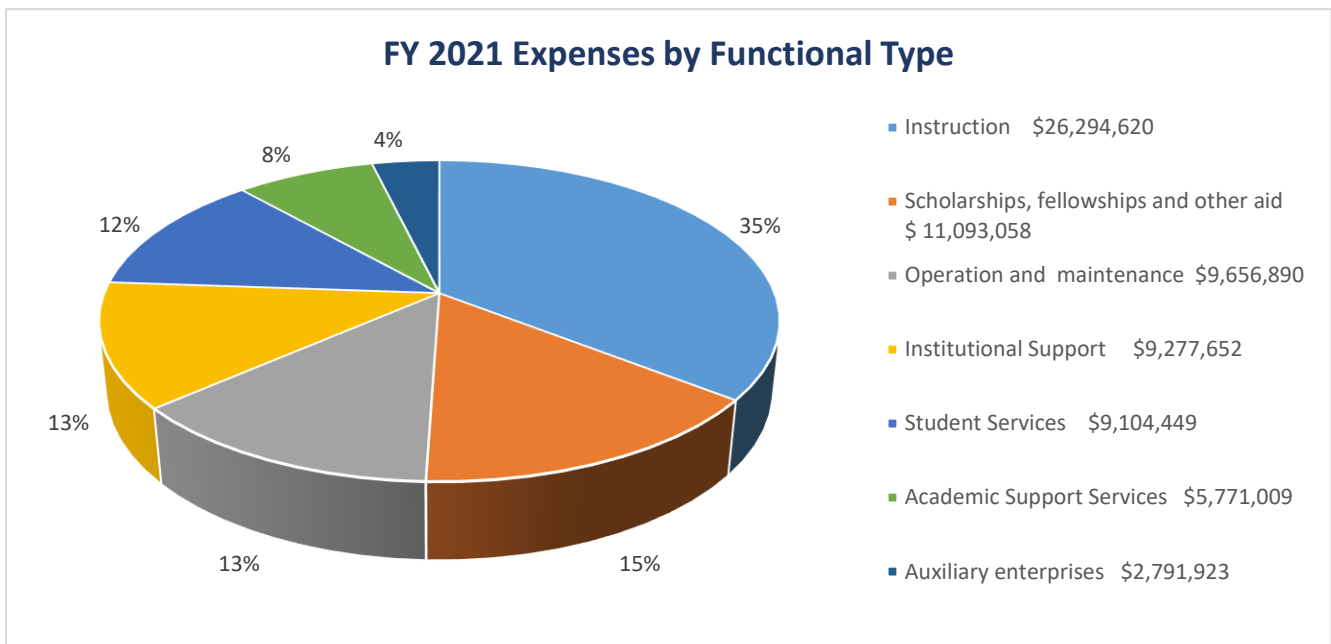
Expenses

The College has continuously sought opportunities to identify savings and efficiencies. Operating expenses for FY 2021 decreased by \$3.5 million over FY 2020. In FY 2021, salary and wage costs decreased slightly as a result of decrease in the number of employees due to the COVID-19 pandemic. Employee benefits also decreased as a result of reduction in the number of employees and changes to pension expense adjustments.

The College reduced utility expenses in FY 2021 as a result of targeted efforts to reduce use and due to virtual instruction. Supplies, materials and services were significantly lower in FY 2021 as a direct result of the impacts of the pandemic. These fluctuations are to be expected. These 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 2021 and FY 2020:



Capital Assets and Related Debt

At June 30, 2021, the College had invested \$108.4 million in capital assets, net of accumulated depreciation. This represents a decrease of \$188 thousand from last year, as shown in the table below.

Capital Assets			
As of June 30 (Dollars in thousands)	<u>2021</u>	<u>2020</u>	<u>Change</u>
Land	\$ 1,450	\$ 1,450	\$ -
Construction in progress	2,391	367	2,024
Buildings	96,899	98,407	(1,508)
Other improvements/infrastructure	5,502	5,969	(467)
Equipment	2,148	2,363	(215)
Library resources	101	123	(22)
	<u>\$ 108,491</u>	<u>\$108,679</u>	<u>\$ (188)</u>

At June 30, 2021, the College had \$8.9 million in outstanding debt, consisting of Certificates of Participation (COP) with the state treasurer. This represents a reduction to principle of \$490 thousand due to payments made.

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Certificates of Participation	<u>\$8,945,000</u>	<u>\$9,435,000</u>

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 State Board for Community and Technical College's allocates out to each college funds received in the state's budget. The model is based on performance in several key indicators, from general enrollments to enrollments in high-cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state. Due to decreases in enrollments system-wide for the community and technical colleges, there have not been any reductions to the funding levels based on this new allocation method yet. Due to a decrease in enrollment, it is estimated that the College could see a decrease in state operating appropriations in future years.

In fiscal year 2021 the College received a significant increase in funding as a result of the Workforce Education Investment Act (E2SHB 2158). The bill created a new fund, the Workforce Education Investment Account. Appropriations from the account are supported by an increase in the Business and Occupation tax. These funds were allocated to the colleges as directed in the legislation. Most of these appropriations are budgeted to continue in FY 2022. There were no other significant changes to the method of allocating funds to college districts.

As the College continues to be affected by the results of the COVID-19 pandemic, a 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 to attract more students. Management continues to actively monitor the situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

Statement of Net Position

June 30, 2021

Assets	College	Foundation
Current Assets		
Cash and cash equivalents	\$ 17,659,740	\$ 2,896,908
Accounts receivable, net	16,997,271	21,559
Short term investments	1,002,525	1,019,666
Inventories	315,775	-
Total current assets	<u>35,975,311</u>	<u>3,938,133</u>
Non-Current Assets		
Restricted cash and cash equivalents	573,025	-
Other (INVISTA)	570,008	-
Investments	5,453,144	6,691,495
Land and construction in progress	3,841,648	-
Capital assets, net of depreciation	104,649,645	-
Total non-current assets	<u>115,087,470</u>	<u>6,691,495</u>
Total Assets	<u>151,062,781</u>	<u>10,629,628</u>
Deferred Outflows (related to pension plans and OPEB)	<u>6,585,564</u>	-
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	3,606,323	21,337
Compensated absences	2,103,503	-
Unearned revenues	5,717,567	-
Current portion of notes payable	515,000	-
Pension liability	66,701	-
Other post-employment benefits	432,465	-
Total current liabilities	<u>12,441,559</u>	<u>21,337</u>
Non-Current Liabilities		
Compensated absences	2,135,571	-
Long-term portion of notes payable	8,638,522	-
Net pension liability	4,585,718	-
Pension liability	1,141,452	-
Other post-employment benefits	24,154,369	-
Total non-current liabilities	<u>40,655,632</u>	-
Total Liabilities	<u>53,097,191</u>	<u>21,337</u>
Deferred Inflows (related to pension plans and OPEB)	<u>12,648,937</u>	-
Net Position		
Net investment in capital assets	99,337,771	-
Restricted:		
Expendable	2,785,523	10,253,739
Unrestricted (deficit) surplus	<u>(10,221,077)</u>	<u>354,552</u>
Total Net Position	<u>\$ 91,902,217</u>	<u>\$ 10,608,291</u>

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2021

	College	Foundation
Operating Revenues		
Student tuition and fees, net	\$ 17,395,747	\$ -
State and local grant and contracts	18,628,445	128,905
Auxiliary enterprise sales	651,876	-
Federal grants and contracts	184,670	-
Contributions	-	688,848
Other operating revenues	160,905	127,671
Total operating revenue	<u>37,021,643</u>	<u>945,424</u>
Operating Expenses		
Salaries and wages	37,535,659	-
Employee benefits	10,408,117	-
Scholarships, fellowships and other aid	12,372,178	-
Supplies, materials and services	8,933,393	-
Depreciation	3,679,130	-
Administrative expenses	-	1,170,717
Utilities	1,036,623	-
Other operating expenses	24,501	-
Total operating expenses	<u>73,989,601</u>	<u>1,170,717</u>
Operating Loss	<u>(36,967,958)</u>	<u>(225,293)</u>
Non-Operating Revenues (Expenses)		
State appropriations	32,801,245	-
Federal Pell grant revenue	6,836,170	-
Federal non-operating revenue	3,771,826	-
Investment income	8,010	1,481,560
Interest expense	(298,717)	-
Building and innovation fees	(2,101,699)	-
Net non-operating revenues	<u>41,016,835</u>	<u>1,481,560</u>
Income before capital appropriations	4,048,877	1,256,267
Capital appropriations	4,622,455	-
Increase in net position	8,671,332	1,256,267
Net Position		
Net position, beginning of year	<u>83,230,885</u>	<u>9,352,024</u>
Net position, end of year	<u>\$ 91,902,217</u>	<u>\$ 10,608,291</u>

Statement of Cash Flows

For the Year Ended June 30, 2021

	College	Foundation
Cash Flows used in Operating Activities		
Student tuition and fees, net	\$ 13,197,401	\$ -
Grants and contracts	18,923,839	-
Auxiliary enterprise sales, net	651,876	-
Other revenues	160,905	558,733
Dividend and interest income	-	107,981
Payments for employees	(50,104,611)	-
Payments to vendors	(14,840,728)	(876,595)
Payments for scholarships and fellowships	(12,372,178)	-
Net cash used in operating activities	(44,383,496)	(209,881)
Cash Flows from Noncapital Financing Activities		
State appropriations	33,200,554	-
Federal Pell grant receipts	7,080,664	-
Federal non-operating receipts	3,496,366	-
Building and innovation fee remittances	(2,113,077)	-
Permanently restricted endowment contributions	-	56,994
Net cash provided by noncapital financing activities	41,664,507	56,994
Cash Flows from Capital and Related Financing Activities		
Capital appropriations	4,622,455	-
Purchase of capital assets	(3,667,615)	-
Principal paid on capital debt	(490,000)	-
Interest paid on capital debt	(357,688)	-
Net cash provided by capital and related financing activities	107,152	-
Cash Flows from Investing Activities		
Purchase of investments	(5,506,404)	(530,573)
Sales and maturities of investments	5,534,085	635,189
Investment income	8,010	-
Net cash provided by investing activities	35,691	104,616
Decrease in Cash and Cash Equivalents	(2,576,145)	(48,271)
Cash and Cash Equivalents, Beginning of Year	20,808,910	2,945,179
Cash and Cash Equivalents, End of Year	\$ 18,232,765	\$ 2,896,908
Reconciliation of Cash and Cash Equivalents:		
Cash and cash equivalents	\$ 17,659,740	\$ 2,896,908
Restricted cash and cash equivalents	573,025	-
Total cash and cash equivalents	\$ 18,232,765	\$ 2,896,908

	College	Foundation
Reconciliation of Operating (Loss) Income to Net Cash used in Operating Activities		
Operating (Loss) Income	\$ (36,967,958)	\$1,256,267
Adjustments to reconcile operating (loss) income to net cash used in operating activities		
Depreciation and amortization expense	3,738,100	-
Net unrealized loss (gain) from investments	27,223	(1,398,878)
Loss on disposal of fixed assets	176,492	-
Change in discount and allowance for promises to give	-	(698)
Donated investments and contribution activity	-	(56,994)
Changes in assets and liabilities		
Accounts receivable	(2,460,681)	(959)
Inventories	183,642	-
Accounts payable and accrued expenses	(5,048,907)	(8,619)
Compensated absences	331,889	-
Unearned revenues	(1,738,088)	-
Pension obligations	(3,256,074)	-
Other post-employment benefits	(652,773)	-
Deferred resources	1,283,639	-
Net cash used in operating activities	<u>\$ (44,383,496)</u>	<u>\$ (209,881)</u>
Supplemental Non-Cash Activities Information:		
Change in Due from State Treasurer (Noncapital related)	\$ (399,309)	
Change in Due to State Treasurer (Noncapital related)	(4,394,243)	



Notes to the Financial Statements

June 30, 2021

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. 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 discreetly 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, 2021, the Foundation distributed approximately \$327,251 to the College for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at 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, 2021, the College's change in net position was \$28,298 and the total net position was \$570,008. 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.

Notes to the Financial Statements

June 30, 2021

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 and 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.

Notes to the Financial Statements

June 30, 2021

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, 2021, no assets had been written down.

Unearned Revenues

Unearned revenues occur when funds have been collected prior to the end of the fiscal year but 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 2021 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 their unused sick leave balance on retirement or 25% of their 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

Notes to the Financial Statements

June 30, 2021

refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Other Post-Employment Benefits Liability

The College reports its share of OPEB liability in accordance with 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.

Notes to the Financial Statements

June 30, 2021

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 2021, 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, 2021, were \$4,622,456.

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 SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the Statement of Revenues, Expenses and Changes in Net Position.

Notes to the Financial Statements

June 30, 2021

Note 2. Accounting and Reporting Changes

Change in Accounting

In July 2020, House Bill 1661 (Chapter 103 Laws of 2020) created dedicate funds to pay State Board Retirement Plan (SBRP) benefits that mimic the trust arrangement for the rest of the state retirement system. The change results in the SBRP reporting under GASB Statement No. 67/68 instead of GASB Statement No. 73.

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

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 cost. 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>.

Notes to the Financial Statements

June 30, 2021

As of June 30, 2021, the carrying amount of the College's cash and cash equivalents was \$18,232,765 as represented in the table below:

Cash and Cash Equivalents	June 30, 2021
Petty cash and change funds	\$ 9,000
Bank demand deposits	8,686,251
Local government investment pool	9,537,514
Total Cash and Cash Equivalents	\$ 18,232,765
Restricted cash	\$ 573,025
Unrestricted cash	17,659,740
Total Cash and Cash Equivalents	\$ 18,232,765

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.

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. All of the College's investments fall within the hierarchy of Level 1.

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, 2021, the fair value of investments was \$6,455,669.

Investment Maturities (in Years)					
Investment Type	Fair Value	<1	1 to 5	6 to 10	>10
U.S. Agency Bonds	\$ 6,455,669	\$ 1,002,525	\$ 5,453,144	\$ -	\$ -
Total Investments	\$ 6,455,669	\$ 1,002,525	\$ 5,453,144	\$ -	\$ -

Notes to the Financial Statements

June 30, 2021

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), Farmer MAC, Federal Home Loan Mortgage Corp (FHLMC), Federal National Mortgage Association (FNMA) all issue agency bonds. Each of these agencies has a credit rating of AAA that represents an exceptional degree of credit worthiness.

Issuer	Fair Value	Rating
FNMA	\$ 999,930	AA+
FFCB	2,483,579	AA+
FHLMC	1,988,348	AA+
FMAC	983,812	AA+
Total Investments	\$ 6,455,669	

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, 2021, the College's investments held by U.S. Bank are in the College's name are therefore not exposed to custodial credit risk.

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, 2021, accounts receivable were as follows:

Notes to the Financial Statements

June 30, 2021

Accounts Receivable	June 30, 2021
Student tuition and fees	\$ 13,717,882
Due from the federal government	1,032,260
Due from Office of the State Treasurer	3,842,425
Due from other state agencies	789,450
Other	154,044
Subtotal	19,536,061
Allowance for uncollectable accounts	(2,538,790)
Accounts Receivable, net	\$ 16,997,271

Note 5. Inventories

Inventories as of June 30, 2021, were as follows:

Inventories	Method	June 30, 2021
Bookstore Merchandise Inventories	FIFO	<u>\$ 315,775</u>

Note 6. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2021, is presented as follows. The current year depreciation expense was \$3,679,130.

	June 30, 2020	Additions	Transfers	Deletions	June 30, 2021
Non-depreciable Capital Assets					
Land	\$ 1,450,071	\$ -	\$ -	\$ -	\$ 1,450,071
Construction in progress	366,937	2,171,087	(113,048)	(33,399)	2,391,577
Total non-depreciable assets	1,817,008	2,171,087	(113,048)	(33,399)	3,841,648
Depreciable Capital Assets					
Buildings	137,070,077	1,086,906	-	-	138,156,983
Improvements other than buildings	9,654,192	-	-	-	9,654,192
Furniture, fixtures, and equipment	13,660,038	397,313	113,048	(4,514,315)	9,656,084
Library resources	3,070,239	12,309	-	(115,050)	2,967,498
Total depreciable assets	163,454,546	1,496,528	113,048	(4,629,365)	160,434,757
Accumulated Depreciation					
Buildings	38,662,966	2,595,142	-	-	41,258,108
Improvements other than buildings	3,684,881	467,140	-	-	4,152,021
Furniture, fixtures, and equipment	11,297,319	582,020	-	(4,371,222)	7,508,117
Library resources	2,947,088	34,828	-	(115,050)	2,866,866
Total Accumulated Depreciation	56,592,254	3,679,130	-	(4,486,272)	55,785,112
Depreciable capital assets, net of depreciation	106,862,292	(2,182,602)	113,048	(143,093)	104,649,645
Total capital assets, net of depreciation	<u>\$ 108,679,300</u>	<u>\$ (11,515)</u>	<u>\$ -</u>	<u>\$ (176,492)</u>	<u>\$ 108,491,293</u>

Notes to the Financial Statements

June 30, 2021

Note 7. Accounts Payable and Accrued Liabilities

Accrued liabilities as of June 30, 2021, were as follows:

Accounts Payable and Accrued Liabilities	June 30, 2021
Amounts owed to employees	\$ 829,049
Accounts payable	2,777,274
Total	\$ 3,606,323

Note 8. Unearned Revenue

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

Unearned Revenue	June 30, 2021
Summer and Fall Tuition and Fees	\$ 5,717,567

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 \$10,000,000 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, 2020, through June 30, 2021, were \$255,288.

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 \$2,103,503 and accrued sick leave totaled \$2,135,571 at June 30, 2021.

Notes to the Financial Statements

June 30, 2021

Note 11. Leases Payable

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, 2021, the minimum lease payments under operating leases consist of the following:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2022	\$ 102,572
2023	102,981
2024	102,981
2025	91,197
2026	85,305
2027-2031	4,700
Total minimum lease payments	\$ 489,736

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.

<u>Fiscal Year</u>	<u>Childcare Center</u>		<u>Health and Wellness Center</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2022	\$ 110,000	\$ 41,950	\$ 405,000	\$ 290,738	\$ 515,000
2023	115,000	36,450	425,000	269,988	540,000
2024	125,000	30,700	445,000	254,078	570,000
2025	130,000	24,450	455,000	237,418	585,000
2026	135,000	17,950	480,000	214,043	615,000
2027-2031	280,000	15,400	2,675,000	804,428	2,955,000
2032-2036	-	-	3,165,000	300,163	3,165,000
Total	895,000	166,900	8,050,000	2,370,856	8,945,000
Unamortized premium	208,522	-	-	-	208,522
Subtotal	1,103,522	166,900	8,050,000	2,370,856	9,153,522
Less current portion	(110,000)	-	(405,000)	-	(515,000)
Long term debt	\$ 993,522	\$ 166,900	\$ 7,645,000	\$ 2,370,856	\$ 8,638,522

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Note 13. Annual Debt Service Requirements

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

Certificates of Participation			
Fiscal Year	Principal	Interest	Total
2022	515,000	332,688	847,688
2023	540,000	306,438	846,438
2024	570,000	284,778	854,778
2025	585,000	261,868	846,868
2026	615,000	231,993	846,993
2027-2031	2,955,000	819,828	3,774,828
2032-2036	3,165,000	300,163	3,465,163
Total	\$ 8,945,000	\$ 2,537,756	\$ 11,482,756

Interest expense for these Certificates of Participation totaled \$298,717 for 2021.

Note 14. Schedule of Long-Term Liabilities

	June 30, 2020	Additions	Reductions	June 30, 2021	Current Portion
Certificates of participation	\$ 9,702,493	\$ -	\$ 548,971	\$ 9,153,522	\$ 515,000
Compensation absences	3,907,185	331,889	-	4,239,074	2,103,503
Net pension liability	4,260,919	324,799	-	4,585,718	-
Pension liability	4,789,026	-	3,580,873	1,208,153	66,701
OPEB liability	25,239,607	-	652,773	24,586,834	432,465
Total	\$ 47,899,230	\$ 656,688	\$ 4,782,617	\$ 43,773,301	\$ 3,117,669

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 net pension liability as it is a part of the college system.

Basis of Accounting

Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due

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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 for Tacoma Community College, for fiscal year 2021:

Aggregate Pension Amounts - All Pension Plans	
Pension liabilities	\$ (5,793,871)
Deferred outflows of resources related to pensions	\$ 3,811,416
Deferred inflows of resources related to pensions	\$ (4,554,220)
Pension expense	\$ 1,232,698

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>.

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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.

Benefits Provided

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

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

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

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service.

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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.

Contributions

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

TRS

Plan Description

The Legislature established the Teachers' Retirement System (TRS) in 1938. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature. Eligibility for membership requires service as a certificated public-school 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

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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, 2021, were as follows:

		PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution rate	7/1/20-8/31/20	12.86%	12.86%	15.51%	15.51%
Contribution rate	9/1/20-6/30/21	12.97%	12.97%	15.74%	15.74%
Annual contributions		\$ 482,036	\$ 786,888	\$ 160,394	\$ 176,899

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

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019, with the results rolled forward to the June 30, 2020, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

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Mortality rates were based on the Society of Actuaries' Pub. H-2010 Mortality rates, which vary by member status (that is, active, retiree, or survivor) as our base table. The Office of the State Actuary (OSA) applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. 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, 2019, valuation was based on the results of the 2013-2018 Demographic Experience Study Report and the 2019 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report.

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate 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.

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

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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	\$3,017,622	\$2,409,170	\$1,878,537
PERS 2/3	7,073,005	1,136,725	(3,751,805)
TRS 1	798,777	630,452	483,559
TRS 2/3	1,206,441	409,371	(240,839)

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

Pension Liabilities

At June 30, 2021, the College reported a net pension liability of \$4,585,718 for its proportionate share of the net pension liabilities as follows:

Pension Plan	Total
PERS 1	\$2,409,170
PERS 2/3	1,136,725
TRS 1	630,452
TRS 2/3	409,371

The College's proportionate share of pension liabilities for fiscal years ending June 30, 2020, and June 30, 2021, using measurement dates of June 30, 2019, and June 30, 2020, respectively, for each retirement plan are listed below:

	2019	2020	Change
PERS 1	0.068207%	0.068238%	0.000031%
PERS 2/3	0.088048%	0.088880%	0.000832%
TRS 1	0.025395%	0.026173%	0.000778%
TRS 2/3	0.025582%	0.026652%	0.001070%

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

Pension expense is included as part of "Employee benefits" expense in the statement of revenues, expenses, and changes in net position. For the year ended June 30, 2021, the College recognized pension expense as follows:

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Pension Plan	Pension Expense
PERS 1	\$ 118,112
PERS 2/3	143,400
TRS 1	95,044
TRS 2/3	129,924
TOTAL	\$ 486,480

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, 2021:

	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	-	-	406,931	142,459	-	-	258,719	1,476
Difference between expected and actual earnings of pension plan investments	-	13,413	-	57,729	-	4,054	-	3,974
Changes of assumptions	-	-	16,190	776,481	-	-	52,801	44,864
Changes in the College's proportionate share of pension liabilities	-	-	213,786	115,135	-	-	32,970	22,565
Contributions subsequent to the measurement date	482,036	-	786,888	-	160,394	-	176,899	-
Totals	\$ 482,036	\$ 13,413	\$ 1,423,795	\$ 1,091,804	\$ 160,394	\$ 4,054	\$ 521,389	\$ 72,879

The \$1,606,217 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2022.

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

Fiscal Year	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2022	\$ (60,870)	\$ (435,564)	\$ (17,819)	\$ (8,158)
2023	(1,915)	(76,638)	(521)	32,669
2024	18,573	56,312	5,426	46,949
2025	30,798	97,102	8,860	58,638
2026	-	(48,272)	-	34,094
Thereafter	-	(47,837)	-	107,417
Total	\$ (13,413)	\$ (454,897)	\$ (4,054)	\$ (271,609)

Notes to the Financial Statements

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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 net pension liability. House Bill 1661, effective fiscal year 2021, created separate Supplemental Retirement Plan (SRP) funds by institution that met the definition of a trust or equivalent arrangement. As a result, this is the first year these plans will be reported under GASB Statement No. 67/68. Prior to this, the SRP was reported under GASB Statement No. 73.

Contributions

Contribution rates for the 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, 2021, were \$1,819,887 and \$1,819,887, 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 one-twelfth of 2 percent of the member's average annual salary multiplied by the number of years of service (such product not to exceed one-twelfth of fifty percent of the member's average annual salary). The member's assumed income is an annuity benefit the retired member would receive from their defined contribution retirement plan benefit in the first month of retirement had they invested all employer and member contributions equally between a fixed income and variable income annuity investment. Plan members have the option to retire early with reduced benefits.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, with the results rolled forward to the June 30, 2021, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	3.50%-4.00%
Fixed Income and Variable Income Investment Returns*	NA

*Measurement reflects actual investment returns through June 30, 2020

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

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

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Material Assumption Changes

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

- The discount rate is based on the long-term expected rate of return on the pension plan investments. This resulted in an increase in the discount rate used to measure the TPL from 2.21 percent as of June 30, 2020 to 7.4 percent.
- The total pension liability is now compared against the plan's fiduciary net position to determine the net pension liability (NPL).

Additionally, OSA recently completed an experience study which modified multiple assumptions to estimate future plan experience.

Discount Rate

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

Pension Expense

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

The College will recognize the following amounts in pension expense for the State Board Supplemental Retirement Plans:

	June 30, 2021
Proportionate Share: 3.32559%	
Service cost	\$ 155,371
Interest	110,509
Amortization of differences between expected and actual experience	(226,572)
Amortization of changes of assumptions	(133,988)
Expected earnings on plan investments	(58,364)
Amortization of difference between projected and actual earnings on plan investment	(42,933)
Proportionate share of collective pension expense	(195,977)
Amortization of the change in proportionate share of TPL	(16,923)
Benefit payment and employer contributions	(88,062)
Beginning Balance Net Position	(777,954)
Total pension expense	\$ (1,078,916)

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Proportionate Share 2020	3.27%
Proportionate Share 2021	3.33%
Ending total pension liability 2020	\$ 4,789,025
Beginning total pension liability 2021	4,877,835
Change in total pension liability proportion	88,810
Total deferred inflows/outflows 2020	(530,135)
Total deferred inflows/outflows 2021	(539,965)
Change in total deferred inflows/outflows proportion	(9,830)
Total Change in Proportion	\$ (78,980)

Plan Membership

Membership in the State Board Supplemental Retirement Plan consisted of the following as of June 30, 2020, the most recent actuarial valuation date:

Inactive members (or beneficiaries) currently receiving benefits	3
Inactive members entitled to but not yet receiving benefits	18
Active members	151
Total members	172

Net Pension Liability

The following table presents the change in total pension liability of the State Board Supplemental Retirement Plan at June 30, 2021:

Development of Net Pension Liability	June 30, 2021
Service cost	\$ 155,371
Interest	110,509
Changes of benefit terms	-
Differences between expected and actual experience	(997,044)
Changes in assumptions	(1,799,474)
Benefit payments	(66,246)
Change in proportionate share of TPL	88,800
Other	-
Net change in total pension liability	(2,508,084)
Total pension liability, beginning	4,789,025
Total pension liability, ending	\$ 2,280,941
Plan Fiduciary Net Pension	June 30, 2021
Contributions-Employer	\$ 21,816
Net investment income	273,018
Net Change in Plan Fiduciary Net Position	294,834
Plan Fiduciary Net Position-beginning	777,954
Plan Fiduciary Net Position-ending	1,072,788
Plan's Net Pension liability, ending	\$ 1,208,153

Notes to the Financial Statements

June 30, 2021

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

The following table presents the total pension liability, calculated using the discount rate of 7.40 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 (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Discount rate	6.40%	7.40%	8.40%
SBRP pension liability	1,447,527	1,208,153	1,002,065

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 324,244	\$ 1,315,834
Changes of assumptions	764,552	1,668,945
Changes in the College's proportionate share of pension liability	135,006	215,558
Differences between projected and Actual Earnings on Plan Investments	-	171,733
Total	\$ 1,223,802	\$ 3,372,070

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
2022	\$ (420,417)
2023	(420,417)
2024	(365,611)
2025	(283,369)
2026	(258,364)
Thereafter	(400,090)

Note 16. Other Post-Employment Benefits

Plan Description

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

Notes to the Financial Statements

June 30, 2021

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 understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumptions used in valuations presented in this footnote assume that this substantive plan will be carried into the future.

The PEBB OPEB plan 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 13 of the state's K-12 schools and educational service districts (ESDs), and 261 political subdivisions and tribal governments not included in the state's financial reporting who participate in the PEBB plan. The plan is also available to the retirees of the remaining 227 K-12 schools, charter schools, and ESDs. Membership in the PEBB plan for the College consisted of the following:

Summary of Plan Participants	June 30, 2021
Active employees*	151
Retirees receiving benefits**	3
Retirees not receiving benefits***	18
Total active employees and retirees	172

*Reflects active employees eligible for PEBB program participation as of June 30, 2021.

**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 2020, the average weighted implicit subsidy was valued at \$372 per adult unit per month, and in calendar year 2021, the average weighted implicit subsidy is projected to be \$384 per adult unit per month.

Notes to the Financial Statements

June 30, 2021

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 2021, the explicit subsidy was \$183 per member per month, and it will remain \$183 per member per month in calendar year 2022.

Contribution Information

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

Required Premium*	June 30, 2021
Medical	\$ 1,120
Dental	81
Life	4
Long-term disability	2
Total	<u>1,207</u>
Employer contribution	1,041
Employee contribution	166
Total	<u>\$ 1,207</u>

*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, 2020, the state reported a total OPEB liability of \$6.055 billion. The College's proportionate share of the total OPEB liability is \$24,586,834. This liability was determined based on a measurement date of June 30, 2020.

Actuarial Assumptions

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

Notes to the Financial Statements

June 30, 2021

	<u>June 30, 2018</u>
Inflation rate	2.75%
Projected salary changes	3.50% plus service-based salary increases
Health care trend rates*	Initial trend rate ranges from 2-11%, reaching an ultimate rate of approximately 4.3% in 2075.
Post-retirement participation coverage	65%
Percent with spouse coverage	45%

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

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

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

Actuarial Methodology

The total OPEB liability was determined using the following methodologies:

Actuarial valuation date	6/30/2020
Actuarial measurement date	6/30/2020
Actuarial cost method	Entry age
Amortization method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset valuation method	N/A - no assets

Discount Rate

Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.50 percent for the June 30, 2019 measurement date and 2.21 percent for the June 30, 2020 measurement date.

Additional detail on assumptions and methods can be found on OSA's website:

<http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>

Notes to the Financial Statements

June 30, 2021

Changes in Total OPEB Liability

As of June 30, 2021, 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: 0.4060453942%	<u>June 30, 2021</u>
Service cost	\$ 1,020,280
Interest cost	853,480
Differences between Expected and Actual Experience	(130,788)
Changes in assumptions*	553,247
Benefit payments	(406,355)
Changes in proportionate share	(1,673,304)
Other	<u>(869,333)</u>
Net change in total OPEB liability	(652,773)
Total beginning OPEB liability	<u>25,239,607</u>
Total ending OPEB liability	<u><u>\$ 24,586,834</u></u>

Sensitivity of the Total Liability to Changes in the Discount Rate

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 29,768,593	\$ 24,586,834	\$ 20,552,096

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 2-11 percent reaching an ultimate range of 4.3 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (1-10 percent decreasing to 3.50 percent) or 1 percentage point higher (3-12 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 20,035,658	\$ 24,586,834	\$ 30,688,517

Notes to the Financial Statements

June 30, 2021

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

For the year ending June 30, 2021, the College will recognize OPEB expense of \$9,461. OPEB expense consists of the following elements:

Proportionate Share: 0.4060453942%	June 30, 2021
Service cost	\$ 1,020,280
Interest cost	853,480
Amortization of differences between expected and actual experience	75,367
Amortization of changes in assumptions	(801,545)
Changes in benefit terms	-
Amortization of changes in proportion	(268,788)
Other changes to Fiduciary Net Position	(869,333)
Total OPEB Expense	\$ 9,461

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

Proportionate Share: 0.4060453942%	Deferred Inflows	Deferred Outflows
Difference between expected and actual experience	\$ 116,256	\$ 539,396
Changes in assumptions	5,798,596	1,690,673
Transactions subsequent to the measurement date	-	432,465
Changes in proportion	2,179,865	111,614
Total	\$ 8,094,717	\$ 2,774,148

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: 0.4060453942%
2022	\$ (994,967)
2023	(994,967)
2024	(994,967)
2025	(994,967)
2026	(994,965)
Thereafter	(778,201)

Notes to the Financial Statements

June 30, 2021

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

Proportionate Share 2019	0.4348762797%
Proportionate Share 2020	0.4060453942%
Ending total OPEB liability 2019	\$ 25,239,607
Beginning total OPEB liability 2020	23,566,303
Change in OPEB liability proportion	(1,673,304)
Total deferred inflows/outflows 2019	(4,741,405)
Total deferred inflows/outflows 2020	(4,427,065)
Change in total deferred inflows/outflows proportion	314,340
Total Change in Proportion	\$ (1,987,644)

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, 2021.

Expenses by Functional Classification	
Instruction	\$ 26,294,620
Scholarships, fellowships, and other aid	11,093,058
Operation and maintenance	9,656,890
Institutional support	9,277,652
Student services	9,104,449
Academic support services	5,771,009
Auxiliary enterprises	2,791,923
Total	<u>\$ 73,989,601</u>

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.

Notes to the Financial Statements

June 30, 2021

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 \$3,706,611 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, 2021, the College received \$144,164 from the Foundation.

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

Notes to the Financial Statements

June 30, 2021

recognized in the Foundation's financial statements at their estimated fair value. For the year ended June 30, 2021, 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, 2021, the equity in the joint venture was \$570,008 which is reflected in these financial statements as a non-current other asset.

Note 21. Subsequent Events

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

Required Supplementary Information

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	0.068238%	\$2,409,170	\$9,996,090	24.10%	68.64%
2021					
2022					
2023					

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

Required Supplementary Information

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	0.088880%	\$1,136,725	\$9,996,090	11.37%	97.22%
2021					
2022					
2023					

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

Required Supplementary Information

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	0.026173%	\$630,452	\$2,172,123	29.02%	70.55%
2021					
2022					
2023					

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

Required Supplementary Information

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	0.025580%	\$154,140	\$1,894,198	8.14%	96.36%
2020	0.026652%	\$409,370	\$2,172,123	18.85%	91.72%
2021					
2022					
2023					

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

Required Supplementary Information

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	\$482,036	\$482,036	\$ -	\$9,996,090	4.82%
2022					
2023					

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

Required Supplementary Information

**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	\$786,888	\$786,888	\$ -	\$9,996,090	7.87%
2022					
2023					

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

Required Supplementary Information

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	\$160,394	\$160,394	\$ -	\$2,172,123	7.38%
2022					
2023					

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

Required Supplementary Information

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	\$176,899	\$176,899	\$ -	\$2,172,123	8.14%
2022					
2023					

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

Required Supplementary Information

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	\$ 155,371					
Interest	120,908	117,828	118,743	129,151	110,509					
Change of benefit terms	-	-	-	-	-					
Differences between expected and actual experience	(871,751)	(348,492)	223,873	272,124	(997,044)					
Changes of assumptions	(205,757)	(117,895)	420,943	727,111	(1,799,474)					
Benefit payments	(31,036)	(43,553)	(62,601)	(58,289)	(66,246)					
Change in proportionate share	-	(86,038)	80,612	(196,129)	88,800					
Other	-	-	-	-	-					
Net change in total pension liability	(801,250)	(349,936)	879,737	988,781	2,508,084					
Total pension liability - beginning	4,071,693	3,270,443	2,920,507	3,800,244	4,789,025					
Total pension liability - ending	\$ 3,270,443	\$ 2,920,507	\$ 3,800,244	\$ 4,789,025	\$ 2,280,941					
Covered employee payroll	\$ 19,200,963	\$ 18,923,508	\$ 20,323,849	\$ 20,131,614	\$ 21,620,650					
Total pension liability as a percentage of covered employee payroll	17.03%	15.43%	18.70%	23.79%	10.55%					

*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.

Required Supplementary Information

**Schedule of Employer Contributions
State Board Supplemental Retirement Plan
Fiscal Year Ended June 30, 2021**

Statutorily determined contributions	\$28,106
Actual contributions in relation to the above	27,928
Contribution deficiency (excess)	<u>(178)</u>
Covered payroll	\$21,620,350
Contribution as a percentage of covered payroll	0.13%

Required Supplementary Information

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	\$ 1,020,280						
Interest cost	809,698	961,021	886,497	853,480						
Difference between expected and actual experience	-	877,225	-	(130,788)						
Changes in assumptions	(3,949,720)	(6,119,624)	1,650,891	553,247						
Changes in benefit terms	-	-	-	-						
Benefit payments	(412,635)	(405,887)	(405,519)	(406,355)						
Changes in proportionate share	240,857	145,234	(272,270)	(1,673,304)						
Other	-	-	-	(869,333)						
Net changes in total OPEB liability	\$ (2,064,891)	\$ (3,140,172)	\$ 2,881,565	\$ (652,773)						
Total OPEB liability - beginning	27,563,105	25,498,214	22,358,042	25,239,607						
Total OPEB liability - ending	\$ 25,498,214	\$ 22,358,042	\$25,239,607	\$24,586,834						
College's proportion of total OPEB liability	0.606%	0.440%	0.435%	0.406%						
Covered employee payroll	\$ 30,153,421	\$ 29,927,821	31,606,768	33,881,310						
Total OPEB liability as a percentage of covered employee payroll	74.147613%	85.199033%	79.85507%	72.56754%						

*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*

**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 Tacoma Community College (the College), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 13, 2024.

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, 2021, 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 2021-001, 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.



Certified Public Accountants
March 13, 2024

TACOMA COMMUNITY COLLEGE

**Schedule of Findings and Responses
For the Year Ended June 30, 2021**

Finding 2021-001 - Significant Delays in Finalizing the Audit

Issue: The audit took significant time to complete as the Accounting Team shifted 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 the 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 2024. This additional staff should provide the additional bandwidth for the accounting staff to be able to complete audits in a timely manner.



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