Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Yakima Valley College

For the period July 1, 2023 through June 30, 2024

Published April 17, 2025

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Office of the Washington State Auditor
Pat McCarthy

April 17, 2025

Board of Trustees
Yakima Valley College
Yakima, Washington

Report on Financial Statements

Please find attached our report on the Yakima Valley College's financial statements.

We are issuing this report in order to provide information on the College's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Yakima Valley College
July 1, 2023 through June 30, 2024

Board of Trustees
Yakima Valley College
Yakima, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of the Yakima Valley College, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated April 9, 2025.

Our report includes a reference to other auditors who audited the financial statements of the Foundation of Yakima Valley College, as described in our report on the College's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy, State Auditor

Olympia, WA

April 9, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Yakima Valley College
July 1, 2023 through June 30, 2024

Board of Trustees
Yakima Valley College
Yakima, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the Yakima Valley College, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the financial section of our report.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component unit of the Yakima Valley College, as of June 30, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We do not audit the financial statements of Yakima Valley College Foundation (the foundation), which represent 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the reports 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. 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.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Yakima Valley 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, 2024, 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.

As discussed in Note 2 to the financial statements, the College changed the measurement date used for reporting their participation in the State Board Retirement Plan. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2025 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

April 9, 2025

FINANCIAL SECTION

Yakima Valley College
July 1, 2023 through June 30, 2024

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Management's Discussion and Analysis

Yakima Valley College

The following discussion and analysis provides an overview of the financial position and activities of Yakima Valley College (the College) for the fiscal year ended June 30, 2024 (FY 2024). 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

Yakima Valley College is one of 30 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 7,000 students. The College confers applied baccalaureate degrees, associates degrees, certificates, and high school diplomas. The College was established in 1928 and its primary purpose is to enrich and enhance individuals and communities by delivering accessible, student-centered education. The College addresses the needs of its diverse communities by providing learning opportunities in basic literacy, academic, professional and technical education, and lifelong learning.

The College's main campus is located in Yakima, Washington, a community of about 96,645 residents. The College also has a campus in Grandview, Washington, and learning centers in Ellensburg, Toppenish, and Sunnyside, 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. In accordance with Washington State law governing community and technical colleges, the College's board includes one member from business and one member from labor. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its discretely presented component unit, the Yakima Valley College 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, 2024. The Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the College's financial health.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position are reported under the accrual basis of accounting where all of the current year's revenues and expenses are considered regardless of when cash is received or payments are made. Full accrual statements are intended to provide a view of the College's financial position similar to that presented by most private-sector companies. These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental

Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

Statement of Net Position

The Statement of Net Position provides information about the College's financial position and presents the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College as of the end of the fiscal year. A condensed comparison of the Statement of Net Position is as follows:

Yakima Valley College
Condensed Statement of Net Position
As of June 30, 2024

	2024	2023
Assets		
Current Assets	$ 27,792,832	$ 27,754,828
Capital Assets, net	111,745,328	114,087,074
Other Assets, non-current	36,622,082	36,414,731
Net Pension Assets	2,728,570	2,460,389
Total Assets	178,888,812	180,717,023
Deferred Outflows of Resources	5,870,864	6,435,403
Liabilities		
Current Liabilities	5,442,835	4,973,007
Other Liabilities, non-current	33,167,967	34,026,315
Total Liabilities	38,610,802	38,999,322
Deferred Inflows of Resources	14,030,883	16,772,806
Net Position		
Net Investment in Capital Assets	95,239,182	96,683,185
Restricted	7,734,561	8,692,223
Unrestricted	29,144,248	26,004,889
Total Net Position, as restated	$ 132,117,991	$ 131,380,297

Current assets consist primarily of cash, short-term investments, and various accounts receivables. The slight increase in current assets in FY 2024 can be attributed to an increase in accounts receivable.

Net capital assets decreased by $2,341,746 from FY 2023 to FY 2024. The decrease is primarily the result of current depreciation expense of $3,611,380. This decrease was offset in part by ongoing acquisition of capitalizable assets.

Non-current assets consist primarily of the long-term portion of certain investments. Non-current assets also include actuarial valuations of pension plans that ended in Net Pension assets of which increased from FY 2023 to FY 2024 by $268,181.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and postemployment benefits associated related to GASB Statement No. 68 and Statement No. 75. The decrease in deferred outflows reflect the College's proportionate share of a decrease in the state-wide amounts reported by the Department of Retirement System (DRS) and Health Care Authority (HCA) for pensions due to differences between expected and actual experience related to the actuarial assumptions. The College recorded $6,435,403 in FY 2023 and $5,870,864 in FY 2024 of pension and post-employment related deferred outflows. The decrease reflects the change in the College's proportionate share of pension and post-employment plans. Deferred Outflows also changed because of the change in reporting of the State Board Retirement Plan (SBRP) to a one-year lag between measurement and reporting as allowed by GASB 68.

The decrease in deferred inflows in FY 2024 reflects the decrease in difference between actual and projected investment earnings on the state's pension plans and other post-employment benefits. Additionally, a decrease in deferred inflows on leases receivable also contributed to the overall reduction.

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

Comparing FY 2024 to FY 2023, current liabilities increased by $469,828 due to an increase in unearned revenue as enrollment figures continue to increase year to year.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees, OPEB and pension liabilities, and the long-term portion of Certificate of Participation (COP) debt as well as the unamortized premium. The College's non-current liabilities continue to decrease as the College pays down the principal owed on the Certificate of Participation.

Net position represents the value of 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 outstanding debt obligations related to those capital assets. Changes in these balances are discussed above.
>
> ***Restricted-Expendable*** – Resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The expendable funds for the

College consist of donated properties given to the College by the Estate of Margarita Hackett, earned revenue from endowments restricted for scholarships, and various grants and donations restricted for specific purposes.

Restricted for Student Loans – The loan funds are established for the explicit purpose of providing student support as prescribed by statute or granting authority.

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 30th	**FY2024**	**FY2023**
Net Investment in Capital Assets	$ 95,239,182	$ 96,683,185
Restricted for:		
Expendable	6,799,087	7,683,668
Student Loans	935,474	1,008,555
Unrestricted (deficit)	29,144,248	26,004,889
Total Net Position	$ 132,117,991	$ 131,380,297

When compared to FY 2023, FY 2024 experienced a slight increase in total Net Position.

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 2024. The objective of the statement is to present the College's operating and non-operating revenues earned, as well as its operating and non-operating expenses paid or incurred, along with any other revenues, expenses, and gains and losses of the College.

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

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

A condensed comparison of the College's Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2024 and 2023.

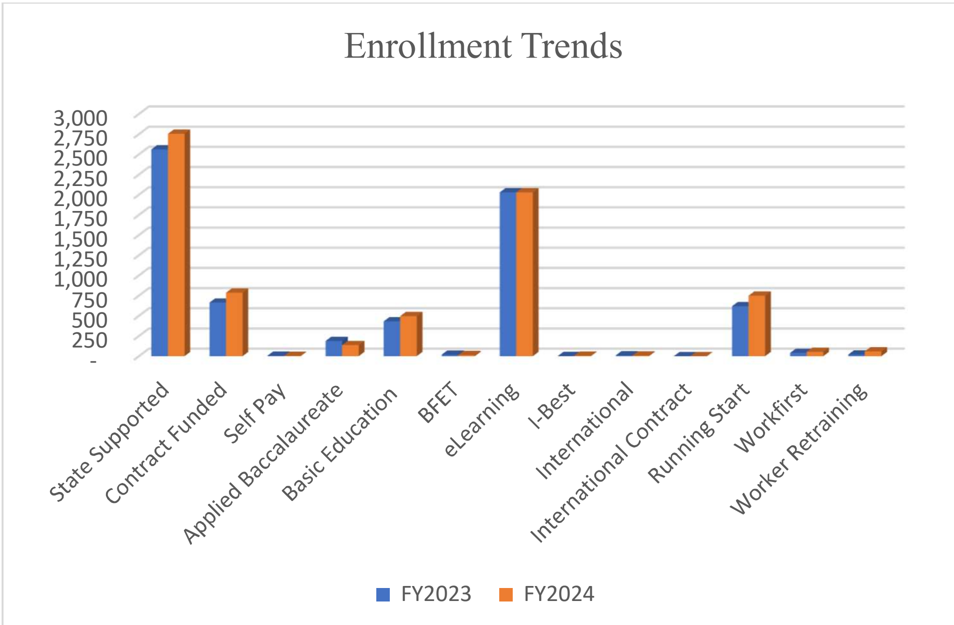
Yakima Valley College
Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2024 and 2023

	2024	2023
Operating Revenues		
Student tuition and fees, net	6,152,831	6,535,769
Auxiliary enterprise sales	2,464,514	2,070,504
Grants and contracts	22,133,423	19,042,675
Other operating revenues	402,263	461,126
Total operating revenues	**31,153,031**	**28,110,073**
Non-Operating Revenues		
State appropriations	29,550,260	28,316,617
Federal grant revenue	8,647,102	12,286,035
Other non-operating revenues	2,393,057	(341,800)
Total non-operating revenues	40,590,418	40,260,851
Total revenues	**71,743,449**	**68,370,925**
Operating Expenses		
Salaries and Benefits	40,649,474	37,799,753
Scholarships	13,327,170	11,560,903
Depreciation	3,611,380	3,375,185
Other operating expenses	12,051,890	9,406,974
Total operating expenses	**69,639,914**	**62,142,816**
Non-Operating Expenses		
Building fee remittance	1,440,142	1,382,919
Other non-operating expenses	502,163	1,021,116
Total non-operating expenses	**1,942,305**	**2,404,034**
Total expenses	71,582,219	64,546,850
Excess (deficiency) before capital contributions	**161,229**	**3,824,075**
Capital appropriations and contributions	**576,465**	**2,118,264**
Change in Net position	**737,695**	**5,942,339**
Net Position		
Net position, beginning of year	131,380,297	125,437,958
Net position, end of year	**132,117,991**	**131,380,297**

Revenues

The State of Washington allocates funds to the community college system as a whole. These funds are then distributed to individual colleges by the State Board for Community and Technical Colleges (SBCTC) using a comprehensive allocation model. This model is first approved by the SBCTC board and then finalized through a vote by the presidents of the 34 colleges within the SBCTC system.

Enrollments increased by 313 full-time equivalent (FTE) students in FY 2024. However, a significant portion of this growth occurred in programs such as contract-funded courses, basic education, and Running Start, which traditionally generate lower tuition and fees revenue per FTE. Additionally, our higher-cost applied baccalaureate programs saw an enrollment decrease of 51 FTE students. This resulted in an overall decrease in tuition and fees revenue of $382,938.



Pell grant revenues generally follow enrollment trends. As the College's enrollment increased, Pell grant revenue increased from $6,805,253 in FY 2023 to $8,647,102 in FY2024 due to additional financial aid awards. Overall non-operating federal grant revenue decreased as CARES funding ended in FY 2023.

The College attempted to hold other fees as stable as possible, resulting in only small changes in non-auxiliary revenues. In addition, the College serves some students and offers some programs on a fee-only basis, as allowed by law. The College experienced a $394,010 increase in auxiliary sales in FY 2024 as facility rentals increased.

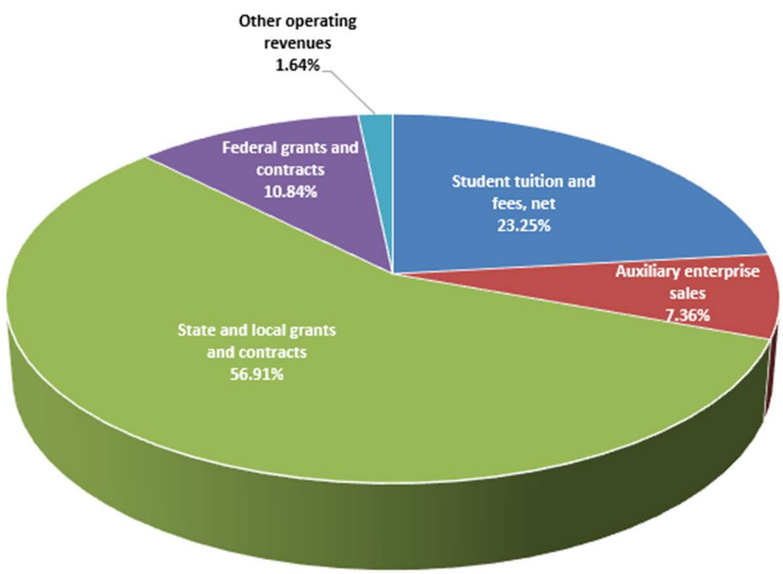
In FY 2024, grant and contract revenues increased by $3,090,748 compared to FY 2023, largely due to increased enrollment in the Running Start program. Through this program, the College partners with local high schools to enroll students who earn both high school and college credits for their coursework. Additional funding was also awarded to students via the Washington College Grant through the Washington Student Achievement Council contributing to the grant and contract revenue increase. The College also continues to serve contracted international students, who are not supported by state funds. There was also a significant increase in the revenue related to the sub-recipients of the HRSA grant. Finally, FY 2024 marked the first year the College was awarded an additional Title V grant through the U.S. Department of Education.

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 expensed in the current period and are instead recognized as a depreciation expense over the expected useful lifetime of the asset.

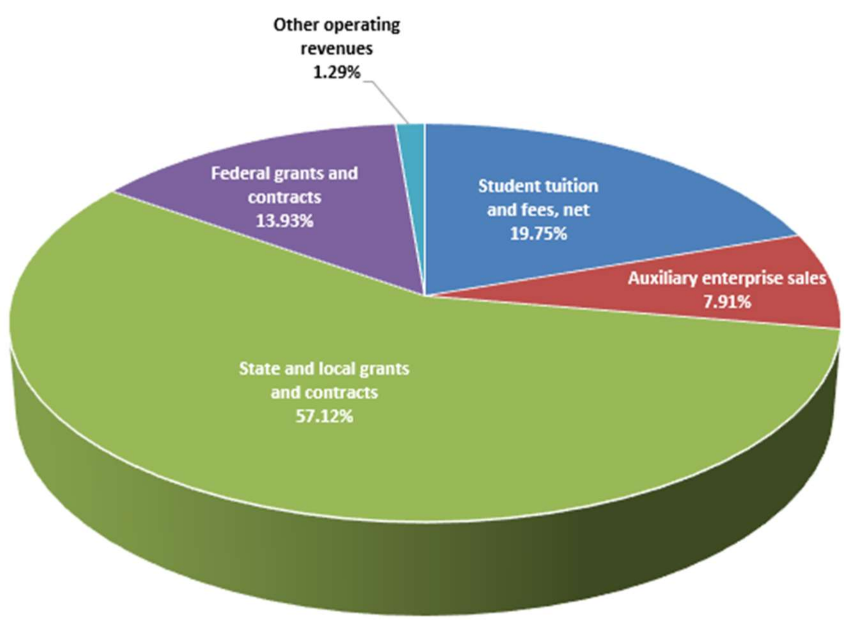
Comparison of Operating Revenue by Category

The following charts below show comparative Operating Revenue by Category for FY 2023 and FY 2024.

FY 23 Operating Revenue by Category



FY 24 Operating Revenue by Category



Expenses

While the College's state allocations have been slightly increasing since FY 2013, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College has supplemented operations by planned usage of reserves to focus on student success initiatives.

In FY 2024, the College saw an increase of $2,849,721 in salaries and benefit expenses as pay rates continued to increase as voted by Legislature and through negotiated agreements. The increase in scholarships and fellowships expense of $1,766,267 follows the increase in enrollment.

The increase to other operating expenses is largely due to an increase of $707,817 in expenses for sub-recipients of the HRSA grant. Moreover, there was a significant increase of $1,300,793 in non-capital equipment expenses as the Board of Trustees approved the use of reserve funds to expand and upgrade existing college technology.

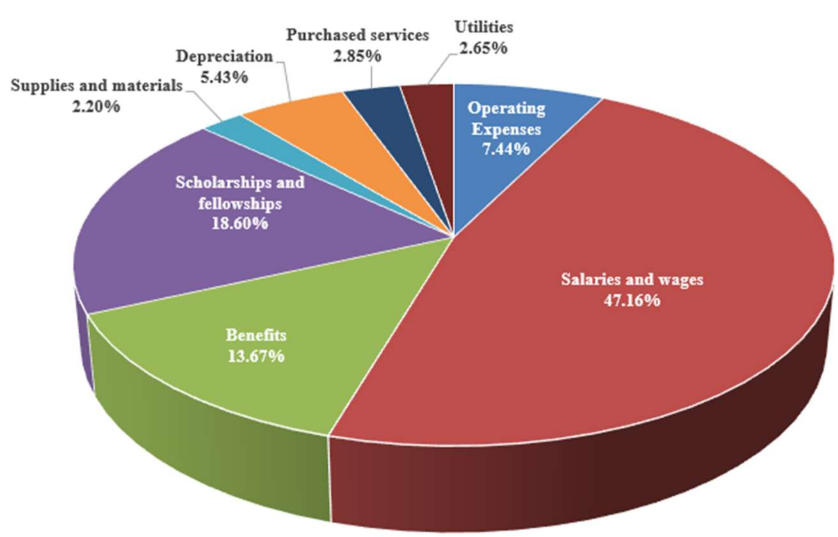
Certain capital project costs do not meet accounting criteria for capitalization as part of the cost of the building and are instead recognized as supplies and materials or purchased services costs. These fluctuations are to be expected. Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing a significant increase in any year when a new building is placed in service.

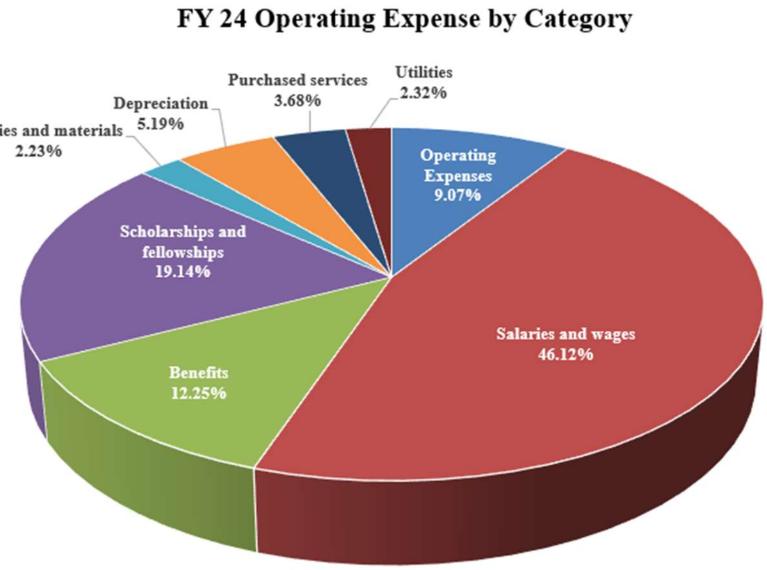
All other costs are reported as operating expenses. This includes travel, non-capitalized equipment, bank fees, training, equipment rentals, repairs or maintenance, insurance, and software maintenance or leases.

Comparison of Selected Operating Expenses by Category

The charts below and on the following page show the comparative Operating Expenses by Category for FY 2023 and FY 2024:

FY 23 Operating Expense by Category





Capital Assets and Long-Term Debt Activities

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

At June 30, 2024, the College had invested $111,745,328 in capital assets, net of accumulated depreciation. This represents a decrease of $2,341,746 from last year, as shown in the following table.

Asset Type	June 30, 2024	June 30, 2023	Change
Land	$ 9,279,532	$ 9,279,532	$ -
Construction in Progress	212,062	-	212,062
Buildings, net	93,546,018	96,208,383	(2,662,366)
Other Improvements and Infrastructure, net	6,120,047	6,587,149	(467,102)
Equipment, net	2,555,484	1,973,796	581,688
Library Resources, net	32,185	38,214	(6,029)
Total Capital Assets, Net	$ 111,745,328	$ 114,087,074	$ (2,341,746)

The decrease in net capital assets can be attributed to an increase in depreciation. Additional information on capital assets can be found in Note 5 of the Notes to the Financial Statements.

At June 30, 2024, the College had $16,506,146 in outstanding debt. This represents a decrease of $685,000 due to principal payment in June 2024 and a decrease of 212,743 to the premium as it is amortized annually.

Cerificate of Participation	June 30, 2024	June 30, 2023	Change
Certificate of Participation - s691-6-1	13,315,000	14,000,000	(685,000)
Certificate of Participation - s691-6-1 Premium	3,191,146	3,403,889	(212,743)
Total	$ 16,506,146	$ 17,403,889	$ (897,743)

Additional information of long-term debt and debt service schedules can be found in Notes 11 and 12 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

The college system, led by a system task force with membership of presidents and key administrators, is in the process of examining the current allocation method by which the legislative appropriation is separated out to each individual college district. The work is slated to complete in calendar year 2025, with any new actions or changes not being implemented until the 2027-29 biennium. While there are a number of proposals on ways to modify the allocation model, so far, no firm decisions have been made.

The State Board for Community and Technical Colleges (SBCTC) currently allocates to each college/district funds received in the state's budget. The model is based on performance in several key indicators, from general enrollments to enrollments in high-demand programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state. While the total state budget may fluctuate, the College's percentage of the SBCTC allocation is expected to remain relatively consistent.

Though the College is seeing an increase in enrollments, the College continues to look closely at ways to innovate instruction to attract more students and respond to the needs of our community as we work to remain relevant in an ever-changing landscape.

For the 2023-25 fiscal biennium, the legislature increased the overall appropriation for the community college system by a very significant amount. The total appropriation for the new biennium went up by over $400 million dollars. However, much of this funding was earmarked for mandatory cost increases and for non-discretionary program expansions. Funding from the previously passed Workforce Education Investment Act (E2SHB 2158) continued and expanded into fiscal years 2024 and 2025. The September 2024 tax revenue forecasts for the 2025-27 biennium predict less growth than previously anticipated, and this may have a negative impact on legislative appropriations to all state agencies including higher education institutions.

Throughout the fiscal year, the College has remained vigilant in monitoring its financial position on a monthly basis. While experiencing a increase in salaries and benefit expenses due to the legislative salary increases, the institution persists in controlling expenses through rigorous review and strategic planning. This commitment to prudent spending and budgetary oversight will extend into FY 2025, as the College adapts to the ongoing changes in the post-pandemic landscape. Furthermore, the College is actively involved in extensive student outreach initiatives aimed at reengaging students and fostering increased reenrollment, thereby ensuring the institution's resilience and sustained growth.

Washington’s personal income growth, which is the main factor in calculating future tuition increases is slightly lower than the national average in the first quarter of 2024, but is forecasted to be faster in growth from 2025-2029. While the formula for tuition increases tends to downplay any individual year’s personal income growth due to the large number of years factored into the calculation, overall the tuition collection environment statewide looks strong.

Yakima Valley College
Statement of Net Position
June 30, 2024

Assets	
Current assets	
Cash and cash equivalents	$ 10,573,115
Short-term investments	8,757,724
Accounts receivable, net of allowances	8,406,951
Lease receivable	53,778
Interest receivable	1,265
Total current assets	**27,792,832**
Non-Current Assets	
Long-term investments	36,499,318
Long-term lease receivable	122,764
Non-depreciable capital assets	9,491,595
Capital assets, net of depreciation	102,253,734
Net pension asset	2,728,570
Total non-current assets	151,095,979
Total assets	**178,888,812**
Deferred Outflows of Resources	
Deferred outflows related to pensions	4,325,602
Deferred outflows related to OPEB	1,512,449
Total deferred outflows of resources	5,838,051
Liabilities	
Current Liabilities	
Accounts payable	1,459,048
Accrued liabilities	877,353
Compensated absences, current portion	775,519
Deposits payable	87,150
Unearned revenue	1,116,690
Certificates of participation payable, current portion	720,000
Net pension liability, current portion	80,430
Total OPEB liability, current portion	326,646
Total current liabilities	5,442,835
Non-Current Liabilities	
Compensated absences	2,177,674
Certificates of Participation	15,786,146
Net pension liability, non-current	2,568,101
Total OPEB liability	12,636,045
Total non-current liabilities	33,167,967
Total liabilities	**38,610,802**
Deferred Inflows of Resources	
Deferred inflows on leases receivable	176,094
Deferred inflows related to pensions	3,421,439
Deferred inflows related to OPEB	10,400,537
Total deferred inflows of resources	13,998,069
Net Position	
Net Investment in Capital Assets	95,239,182
Restricted for:	
Expendable	6,799,087
Student Loans	935,474
Unrestricted (deficit)	29,144,248
Total Net Position	**$ 132,117,991**

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

Yakima Valley College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2024

Operating Revenues		
Student tuition and fees, net of scholarship discounts and allowances		$ 6,152,831
Auxiliary enterprise sales		2,464,514
State and local grants and contracts		17,794,495
Federal grants and contracts		4,338,928
Other operating revenues		402,263
	Total operating revenue	31,153,031
Operating Expenses		
Salaries and wages		32,116,568
Benefits		8,532,906
Scholarships and fellowships		13,327,170
Supplies and materials		1,551,166
Depreciation and amortization		3,611,380
Purchased services		2,565,464
Utilities		1,615,891
Non-Capital Equipment		2,411,933
Travel and Training		943,854
Software Support		328,139
Repairs and Maintenance		839,196
Other operating expenses		1,796,247
	Total operating expenses	69,639,914
	Operating income (loss)	(38,486,884)
Non-Operating Revenues (Expenses)		
State appropriations		29,550,260
Federal Pell grant revenue		8,647,102
Investment income, gains and losses		2,393,057
Building fee remittance		(1,240,615)
Innovation fund remittance		(199,527)
Gain (loss) on asset disposal		(14,744)
Interest on indebtedness		(487,419)
	Net non-operating revenue (expenses)	**38,648,113**
Income or (loss) before other revenues, expenses, gains, or losses		161,229
Capital Contributions		
Capital appropriations		576,465
	Increase (Decrease) in net position	737,695
Net Position		
Net position, beginning of year		131,380,297
Net position, end of year		$ 132,117,991

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

Yakima Valley College
Statement of Cash Flows
For the Year Ended June 30, 2024

Cash flows from operating activities	
Student tuition and fees	$ 6,348,650
Grants and contracts	21,950,181
Payments to vendors	(3,618,329)
Payments for utilities	(1,639,390)
Payments to employees	(32,398,331)
Payments for benefits	(11,047,289)
Auxiliary enterprise sales	2,445,275
Payments for scholarships and fellowships	(13,327,170)
Other receipts	522,846
Other payments	(6,326,979)
Net cash used by operating activities	(37,090,535)
Cash flows from noncapital financing activities	
State appropriations	27,071,663
Pell grants	8,647,102
Building fee remittance	(1,158,886)
Innovation fund remittance	(189,480)
Net cash provided by noncapital financing activities	34,370,397
Cash flows from capital and related financing activities	
Capital appropriations	623,741
Purchases of capital assets	(1,284,378)
Principal paid on capital debt	(685,000)
Interest paid	(700,162)
Net cash used by capital and related financing activities	(2,045,798)
Cash flows from investing activities	
Purchase of investments	(10,451,793)
Proceeds from sales and maturities of investments	15,400,000
Income of investments	2,395,671
Net cash provided by investing activities	7,343,879
Increase in cash and cash equivalents	2,577,942
Cash and cash equivalents at the beginning of the year	7,995,172
Cash and cash equivalents at the end of the year	10,573,115

Reconciliation of Operating Loss to Net Cash used by Operating Activities

Operating Loss	(38,486,884)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	3,611,380
Changes in assets and liabilities	
Receivables, net	(185,647)
Accounts payable	704,807
Accrued liabilities	(783,382)
Unearned revenue	353,993
Compensated absences	270,477
Pension liability adjustment	(2,514,509)
Deposits payable	(7,610)
Deferred Inflows on Lease Receivable	(53,159)
Net cash used by operating activities	$ (37,090,535)

Significant Noncash Transactions	
Decrease in Fair value of Investments	1,583,250
Loss on Equipment Disposals	14,744

Foundation of Yakima Valley College
Statement of Financial Position
June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Cash and cash equivalents	319,444	$ 1,032,368	$ 1,351,812
Marketable securities	-	11,794,993	11,794,993
Certificates of deposit	-	482,077	482,077
Total assets	$ 319,444	$ 13,309,438	$ 13,628,882
Liabilities and Net Assets			
Liabilities			
Scholarships payable	$ 750,000	$ -	$ 750,000
Due to related organizations	-	7,564	7,564
Total liabilities	750,000	7,564	757,564
Total net assets	(430,556)	13,301,874	12,871,318
Total liabilities and net assets	$ 319,444	$ 13,309,438	$ 13,628,882

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

Foundation of Yakima Valley College
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and			
Other Support:			
Contributions	$ -	$ 397,403	$ 397,403
Administrative fees	137,155	-	137,155
Interest income	-	56,091	56,091
Dividend income	-	360,811	360,811
Realized/unrealized gain on investments	-	890,307	890,307
Net assets released from restrictions	776,078	(776,078)	-
Total revenues, gains, and support	913,233	928,534	1,841,767
Expense			
Program	847,869	-	847,869
General and administrative	22,754	-	22,754
Total expenses	870,623	-	870,623
Changes in Net Assets	42,610	928,534	971,144
Net Assets, Beginning of the Year	(473,166)	12,373,340	11,900,174
Net Assets, End of the Year	$ (430,556)	$ 13,301,874	$ 12,871,318

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

Notes to the Financial Statements

June 30, 2024
These notes form an integral part of the financial statements.

Note 1. Summary of Significant Accounting Policies

Financial Reporting Entity

Yakima Valley 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's degrees, certificates, and high school diplomas. It is governed by a five-member Board of Trustees appointed by the Governor and confirmed by the state Senate.

The College is an agency of the state of Washington. The financial activity of the College is included in the state's Annual Comprehensive Financial Report. These notes form an integral part of the financial statements.

The Yakima Valley College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1977 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to encourage, promote and support educational programs and scholarly pursuits at or in connection with 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 discrete component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. A discrete component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2024, the Foundation distributed approximately $564,840 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 Office at 509-574-4645.

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. Endowment investments are classified as non-current assets. 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 on a proportional basis to the amount of operating cash being held by the fund. The internal investment pool is comprised of cash, cash equivalents, and U.S. Government Agency securities.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, businesses, and private community members. 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.

Leases Receivable

Lease receivables are recorded at the present value of future lease payments expected to be received from the lessee during the term of the lease, reduced by a provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted using the state of Washington's incremental borrowing rate unless otherwise noted in the contract term.

On October 9, 2022, the College entered into a lease agreement requiring adherence to GASB Statement No. 87, *Leases.* 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. In this agreement, the College is the lessor, resulting in a recognition of lease receivable of $176,542 and deferred inflows of $176,094 which were reported at present value using the state of Washington implicit interest rate.

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 acquisition value at the date of the gift. GASB Statement No. 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. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. 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:

- Land, including land use rights with indefinite lives acquired with the purchase of the underlying land, and ancillary costs are capitalized
- Infrastructure with a cost of $100,000 or more is capitalized and depreciated over 20-50 years

- Building, building improvements, improvements other than building and leasehold improvements with a cost of $100,000 or more are capitalized and depreciated over 5-50 years
- Intangible assets (excluding intangible right-to-use lease assets and subscription-based IT arrangements), either purchased or internally developed, with a cost of $1 million or more that are identifiable by meeting one of the following conditions:
  - The asset is capable of being separated or divided and sold, transferred, licensed, rented, or exchanged.
  - The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable.
- Lease assets with total payments over the lease term of $500,000 or more are capitalized and amortized over the life of the lease
- Subscription-based IT arrangements with total payments over the term of the arrangement with total payments of $1 million or more are capitalized and amortized over the term of the agreement
- All capital assets acquired with Certificates of Participation, are capitalized and depreciated based on the category of asset
- All other capital assets with a unit cost (including ancillary costs) of $5,000 or greater, or collections with a total cost of $5,000 or greater are capitalized and depreciated over 3-50 years depending on specific category of asset

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, 2024, 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 (July – September) tuition and fees, housing deposits, and housing revenue as unearned revenues.

Tax Exemption

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

Net Pension Liability

For purposes of measuring the net pension liability in accordance with GASB Statement No. 68, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the state of Washington Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) and additions to/deductions from PERS's and TRS's fiduciary net position have been determined on the same basis as they are reported by PERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The College also reports its share of the net pension liability for the State Board Retirement Plan in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions and Related Assets*.

OPEB Liability

The College reports its share of OPEB liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions (OPEB)*. This Statement requires the College to recognize its proportionate share of the state's actuarially determined OPEB liability with a one-year lag measurement date similar to GASB Statement No. 68.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

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

Net Position

The College's net position is classified as follows:

Net Investment in Capital Assets. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted for Student Loans. The loan funds are established for the explicit purpose of providing student support as prescribed by statute or granting authority.

Restricted for Expendable. These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties. Restricted for expendable includes resources for the explicit purpose of pension assets and is equal to the net pension asset amount.

Unrestricted. These represent resources derived from student tuition and fees, 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 practice is to first apply the expense towards restricted resources and then towards unrestricted resources.

Classification of Revenues and Expenses

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

Operating Revenues. This includes activities that 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 OSPI to offer Running Start. 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.

Non-operating Expenses. Non-operating expenses include state remittance related to the building fee and the innovation fee, along with interest incurred on Certificate of Participation Loans.

Scholarship Discounts and Allowances

Student tuition and fee revenues and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement 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, 2024, are $7,549,661.

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 Statement of Revenues, Expenses and Changes in Net Position and recognized as such when the related expenses are incurred.

Building and Innovation Fee Remittance

Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature and is subject to change annually. The fee provides funding for capital construction and projects on a system-wide basis using a competitive biennial allocation process. The Innovation Fee was established to fund the State Board for Community and Technical College's Strategic Technology Plan. The use of this fund is to maintain software across the entire system. Every month, the College remits the portion of tuition collected for 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.

Note 2. Accounting and Reporting Changes

In June 2022, GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections*, which prescribes the accounting and reporting for each type of accounting change and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

In FY 2024 the college changed the way the State Board Retirement Plan (SBRP) is reported in the financial statements. Previously the measurement date and reporting date were the same. However, there is now a one-year lag between measurement date – the date used to asses the plan's financial position – and the reporting date which causes an increase in deferred outflows of $30,219 for the contributions made subsequent to measurement date. Both methods are allowed under GASB 68. This change is necessary to allow the actuaries sufficient time to gather information for the net pension liability calculations. This change does not alter the methodology for the calculations, it only alters the reporting timeline. The previous reporting timeline required that, periodically, estimates had to be made for returns on investments and this new timeline will allow final investment activity to be utilized. Net pension liabilities, deferred inflows, and pension expense will be reported for FY 2024 as the same values reported in FY

2023. Deferred outflows will now include contributions and payments made subsequent to the measurement date.

In April 2022, GASB issued GASB Statement No. 99, *Omnibus 2022*, which was issued to enhance comparability in accounting and financial reporting in various areas including derivatives, leases, public-private and public-public partnerships, subscription-based information technology arrangements, as well as others. The College will adopt this statement in line with the dates as outlined in the standard, which varies depending on the applicable paragraph beginning in fiscal year 2022 through fiscal year 2024.

Accounting Standard Impacting the Future

In June 2022, GASB issued GASB Statement No. 101, *Compensated Absences*, effective FY 2025. It provides guidance for measuring liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. The College is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.

In December 2023, GASB issued GASB Statement No. 102, *Certain Risk Disclosures*, effective FY 2025. This Statement requires disclosure of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. The Statement defines concentration and constraints and whether an event that could cause the substantial impact has begun or is more likely than not to begin within 12 months of financial statement issuance. The College will be implementing this Statement as required.

In April 2024, GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements,* effective FY 2026. It changes and clarifies requirements of information presented in the MD&A, clarifies operating vs. non-operating revenues and expenses, presentation of major component unit information, and budgetary comparison presentation as required supplementary information. The College has not determined the full impact 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 Local Government Investment Pool (LGIP). The Office of the State Treasurer invests state treasury cash surpluses where funds can be disbursed at any time without prior notice or penalty. For reporting purposes, pooled investments are stated at amortized cost, which approximates fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates. For purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

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 Statement No. 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

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

As of June 30, 2024, the carrying amount of the College's cash and cash equivalents was $10,573,115 as represented in the table below.

Cash and Cash Equivalents	**June 30, 2024**
Petty Cash and Change Funds	$ 14,271
Bank Demand and Time Deposits	6,061,887
U.S. Agency Securities maturing in less than 90 days	3,977,983
Local Government Investment Pool	518,975
Total Cash and Cash Equivalents	$ 10,573,115

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 the College. The majority of the College's demand deposits are with US Bank. All cash and cash 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

Investments consist of U.S. Government Agency Securities.

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.

Investment Maturities	Fair Value	One Year or Less	1-5 Years
U.S. Government Agency Securities	45,916,804	8,757,724	37,159,079
Total Investments	$ 45,916,804	$ 8,757,724	$ 37,159,079

Interest Rate Risk—Investments

The College manages its exposure to fair value losses resulting from changes in interest rates by structuring the entire portfolio time horizon. 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.

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, 2024, $45,916,804 of the

College's operating fund investments, held by US Bank as an agent for the College are exposed to custodial credit risk as follows:

Investment Exposed to Custodial Risk					Fair Value
US Bank	Bond	121	FHLB 10 28 24		984,115.01
US Bank	Bond	125	USTR 11 15 24		982,705.08
US Bank	Bond	109	FNMA 12 30 24		926,880.00
US Bank	Bond	132	FFCB 01 06 25		978,570.45
US Bank	Bond	127	FHLB 02 12 25		1,953,341.38
US Bank	Bond	108	FHLM 03 24 25		1,014,077.68
US Bank	Bond	119	USTR 04 30 25		960,898.44
US Bank	Bond	115	PTS 05 15 25		957,136.44
US Bank	Bond	112	FFCB 07 14 25		1,899,283.54
US Bank	Bond	100	FNMA 08 19 25		1,899,883.28
US Bank	Bond	128	FHLB 08 28 25		987,272.05
US Bank	Bond	103	FHLM 09 30 25		1,890,087.18
US Bank	Bond	107	FNMA 10 27 25		1,886,591.84
US Bank	Bond	114	FHLM 12 23 25		1,877,871.04
US Bank	Bond	113	FHLB 01 26 26		1,862,303.62
US Bank	Bond	117	FHLB 02 12 26		1,859,756.62
US Bank	Bond	133	FFCB 04 13 26		981,582.57
US Bank	Bond	120	USTR 04 30 26		929,765.62
US Bank	Bond	116	FRMC 05 27 26		929,565.10
US Bank	Bond	118	FHLB 06 16 22		1,853,094.56
US Bank	Bond	126	USTR 07 31 26		919,648.44
US Bank	Bond	122	FHLB 09 30 26		916,598.68
US Bank	Bond	130	USTR 01 31 27		2,036,203.14
US Bank	Bond	131	FHLB 03 04 27		1,874,310.24
US Bank	Bond	134	FFCB 05 03 27		915,656.11
US Bank	Bond	135	USTR 07 31 27		997,541.01
US Bank	Bond	136	FRMC 10 05 27		987,318.80
US Bank	Bond	137	FRMC 04 01 27		1,006,560.36
US Bank	Bond	139	FMAC 10 30 28		1,001,268.03
US Bank	Bond	138	USTR 06 30 28		1,972,187.50
US Bank	Bond	140	USTR 12 31 27		981,171.88
US Bank	Bond	141	USTR 03 31 28		973,085.94
US Bank	Bond	142	FHLB 09 10 27		982,067.63
US Bank	Bond	143	FHLB 09 01 28		836,920.21
US Bank	Bond	144	USTR 11 15 28		1,901,484.38
Total Investment Exposed to Custodial Risk				**$**	**45,916,804**

Investment Expenses

Investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2024 were $1,623.

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 expenditures made according to sponsored agreements. At June 30, 2024, accounts receivable were as follows:

Accounts Receivable	Amount	
Student Tuition and Fees	$	994,810
Due from Federal Government		347,892
Due from Other State Agencies		4,362,160
Auxiliary Enterprises		158,043
Other		2,705,936
Subtotal		**8,568,840**
Less Allowances for Uncollectible Accounts		(161,889)
Accounts Receivable, net	**$**	**8,406,951**

Note 5. Leases Receivable

On October 9, 2022, the College entered into a 60-month lease agreement as Lessor for the use of a building located at 116 Grandridge Rd, Grandview, WA. An initial lease receivable was recorded in the amount of $269,709. As of June 30, 2024, the value of the lease receivable is 176,542. The lessee is required to make monthly fixed payments of $4,594. The lease has an interest rate of 0.89%. The lease and interest revenue are reflected in the table below. The lessee has 2 extension option(s), each for 60 months, as well as the right to terminate at any time upon 180 days prior written notice.

Leases receivable are reported net of amortization on the Statement of Net Position. Revenue recognized under these lease agreements during the year ended June 30, 2024 was as follows:

Leases Receivable	Revenue received during FY 2024		
Basis	Term (through)	Lease revenue	Interest Revenue
Building	Oct. 2027	53,302	1,829

Note 6. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2024, is presented below. The current year depreciation expense was $3,611,380.

Capital Assts	Beginning Balance	Additions Transfers	Retirements	Ending Balance
Non-depreciable capital assets				
Land	9,279,532	-	-	9,279,532
Construction in Progress	-	212,062	-	212,062
Total non-depreciable capital assets	**9,279,532**	**212,062**	**-**	**9,491,595**
Depreciable capital asstes				
Buildings and Improvements	137,187,752	-	-	137,187,752
Other improvements and infrastructure	11,061,053	-	-	11,061,053
Equipment	10,446,249	1,063,733	(148,582)	11,361,400
Library resources	114,472	9,762	(29,502)	94,732
Subtotal depreciable capital assets	**158,809,526**	**1,073,495**	**(178,084)**	**159,704,937**
Less accumulated depreciation				
Buildings and Improvements	40,979,368	2,662,366	-	43,641,734
Other improvements and infrastructure	4,473,905	467,102	-	4,941,007
Equipment	8,472,453	467,301	(133,839)	8,805,915
Library resources	76,259	15,791	(29,502)	62,547
Total accumulated depreciation	**54,001,984**	**3,612,559**	**(163,341)**	**57,451,203**
Total depreciable capital asstes	**104,807,542**	**(2,539,064)**	**(14,744)**	**102,253,734**
Capital Assets, net of accumulated depreciation	**$ 114,087,074**	**$ (2,327,002)**	**$ (14,744)**	**$ 111,745,328**

Note 7. Accounts Payable and Accrued Liabilities

Accrued liabilities as of June 30, 2024, were as follows:

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	$ 498,022
Accounts Payable	1,459,048
Amounts Held for Others and Retainage	379,330
Total	$ 2,336,401

Note 8. Unearned Revenue

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

Unearned Revenue	Amount
Summer & Fall Quarter Tuition & Fees	$ 1,083,950
Housing and Other Deposits	32,740
Total	$ 1,116,690

Note 9. Risk Management

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

The College purchases commercial property insurance through the master property program administered by the Department of Enterprise Services for buildings that were acquired with COP proceeds. The policy has a deductible of $250,000 per occurrence and the policy limit is $100,000,000 per occurrence. The College has had no claims in excess of the coverage amount within the past three years. The College assumes its potential property losses for most other buildings and contents.

The College participates in a state of Washington risk management self-insurance program, which covers its exposure to tort, general damage, and vehicle claims. Premiums paid to the state are based on actuarially determined projections and include allowances for payments of both outstanding and current liabilities. Coverage is provided up to $10,000,000 for each claim with no deductible. The College has had no claims in excess of the coverage amount within the past three years.

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, 2023, through June 30, 2024, were $60,010. Cash reserves for unemployment compensation for all employees at June 30, 2024, were $17,134.

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 percent of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled $1,367,849 and accrued sick leave totaled $1,585,344 at June 30, 2024.

An estimated amount, based on a six-year average payout, is accrued as a current liability. The remaining amount of accrued annual and sick leave are categorized as non-current liabilities.

Note 11. Notes Payable

In FY 2020, the College obtained financing in order to fund the West Campus Expansion project through Certificates of Participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $18,450,000.

The College's debt service requirements for this note agreement for the next five years and thereafter are as follows in Note 12.

Note 12. Annual Debt Service Requirements

Future debt service requirements at June 30, 2024, are as follows:

Certificates of Participation			
Fiscal year	**Principal**	**Interest**	**Total**
2025	720,000	665,750	1,385,750
2026	755,000	629,750	1,384,750
2027	790,000	592,000	1,382,000
2028	830,000	552,500	1,382,500
2029	875,000	511,000	1,386,000
2030-2034	5,065,000	1,854,500	6,919,500
2035-2038	4,280,000	493,000	4,773,000
Total	**$ 13,315,000**	**$ 5,298,500**	**$ 18,613,500**

Note 13. Schedule of Long-Term Liabilities

	Balance outstanding 6/30/23	Additions	Reductions	Balance outstanding 6/30/24	Current portion
Certificates of Participation	14,000,000		(685,000)	13,315,000	720,000
Unamortized Premium on COP	3,403,889		(212,743)	3,191,146	
Compensated Absences	2,682,716	1,528,378	(1,257,901)	2,953,193	775,519
Net pension liability-GASB 68	1,685,366	366,574	(663,477)	1,388,464	
Net pension liability-GASB 68 SBRP	1,260,067	-	-	1,260,067	80,430
OPEB liability	12,787,890	11,086,527	(10,911,726)	12,962,691	326,646
Total	**$ 35,819,928**	**$ 12,981,479**	**$ (13,730,846)**	**$ 35,070,561**	**$ 1,902,594**

Note 14. 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 is available to faculty, exempt administrative and professional staff of the state's public community and technical colleges. The College reports its proportionate share of the net pension liability as it is a part of the community and technical college system.

Basis of Accounting

Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, 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 GASB Statement No. 68, the College has elected to use the prior fiscal year-end as the measurement date for reporting net pension liabilities for all DRS administered plans. In FY 2024 the College has elected to change from current fiscal year as the measurement date for reporting pension liabilities to a one-year lag between measurement and reporting date for the Higher Education Supplemental Retirement Plan. Net pension liabilities, plan expenses, and deferred inflows will be reported as the same amounts in FY 2023. Deferred outflows are increased by the amount of FY 2024 contributions subsequent to measurement date.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 and No. 68 SBRP for Yakima Valley College for FY 2024:

Aggregate Pension Amounts - All Plans	
Pension assets	2,728,570
Pension liabilities	2,648,531
Deferred outflows of resources related to pensions	4,325,602
Deferred inflows of resources related to pensions	(3,421,439)
Pension expense	(292,934)

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 https://www.drs.wa.gov/wp-content/uploads/2023/10/2023-ACFR-Document.pdf.

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 System

PERS

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

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.
PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

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

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

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is two 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 three 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 two percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at three 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 one percent of the AFC per year of service. There is no cap on years of service credit. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service if 12 months of that service are earned after age 44. 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 years of service. The monthly benefit is two 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 three 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 two percent of the AFC per year of service. A COLA is granted based on the Consumer Price Index, capped at three 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 one 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, 2024, were as follows:

	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rates at close of FY24	9.53%	9.53%	9.70%	9.70%
Actual Contributions	$ 296,242	$ 637,480	$ 35,917	$ 158,775

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

Actuarial Assumptions

The net pension liability was determined by an actuarial valuation as of June 30, 2022, with the results rolled forward to the June 30, 2023 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based Society of Actuaries' Pub. H-2010 Mortality rates, which vary by member status (that is…active, retiree, or survivor), as our base table. 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, 2022, valuation were based on the results of the *2013-2018 Demographic Experience Study Report and the 2021 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report.

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

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

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the following table:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Fixed Income	20.00%	1.50%
Tangible Assets	7.00%	4.70%
Real Estate	18.00%	5.40%
Global Equity	32.00%	5.90%
Private Equity	23.00%	8.90%
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 7.00 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 and TRS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.00 percent on pension plan investments was applied to determine the net pension liability.

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

The following table presents the net pension liability of the College calculated using the discount rate of 7.00 percent, as well as what the College's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate.

Pension Plan	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PERS 1	1,631,058	1,167,480	762,886
PERS 2/3	2,944,427	(2,707,221)	(7,350,408)
TRS 1	336,372	220,982	120,116
TRS 2/3	689,285	(21,348)	(599,081)

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

Pension Liabilities/Assets. At June 30, 2024, the College reported a net pension liability (asset) for its proportionate share of the net pension liabilities/assets as follows:

Pension Plan	Liability/(Asset)
PERS 1	$1,167,481
PERS 2/3	$(2,707,222)
TRS 1	$220,983
TRS 2/3	$ (21,348)

The College's proportionate share of pension liabilities for fiscal years ending June 30, 2022, and June 30, 2023, for each retirement plan are listed below:

	2022	2023	Net Change
PERS 1	.050409%	.051144%	.000735%
PERS 2/3	.065529%	.066051%	.000522%
TRS 1	.014817%	.017448%	.002631%
TRS 2/3	.015276%	.017382%	.002106%

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

Pension Expense. For the year ended June 30, 2024, the College recognized pension expense is presented on the following page.

Pension Plan	Pension Expense
PERS 1	12,933
PERS 2/3	(310,942)
TRS 1	15,709
TRS 2/3	57,899
TOTAL	$ (224,341)

Deferred Outflows of Resources and Deferred Inflows of Resources. The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2024:

	PERS 1	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	131,697
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	296,242	-
Totals	**$ 296,242**	**$ 131,697**

	PERS 2/3	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	551,458	30,248
Difference between expected and actual earnings of pension plan investments	-	1,020,245
Changes of assumptions	1,136,585	247,731
Changes in College's proportionate share of pension liabilities	59,583	32,768
Contributions subsequent to the measurement date	637,480	-
Totals	**$ 2,385,106**	**$ 1,330,991**

	TRS 1	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	31,991
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	35,917	-
Totals	**$ 35,917**	**$ 31,991**

	TRS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	185,898	3,008
Difference between expected and actual earnings of pension plan investments	-	102,391
Changes of assumptions	169,587	16,807
Changes in College's proportionate share of pension liabilities	25,330	23,551
Contributions subsequent to the measurement date	158,775	-
Totals	**$ 539,589**	**$ 145,757**

The $1,128,414 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 ending June 30, 2025.

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

Year ended June 30	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2025	(89,601)	(479,771)	(22,356)	(21,822)
2026	(112,684)	(576,394)	(28,262)	(37,829)
2027	69,479	851,925	18,062	106,849
2028	1,109	308,503	565	48,007
2029	-	302,513	-	44,587
Thereafter	-	9,858	-	95,265
Total Net Deferred (Inflows)/Outflows	**$ (131,697)**	**$ 416,634**	**$ (31,991)**	**$ 235,057**

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 plans with a supplemental defined benefit plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee’s retirement date. The supplemental component is financed on a pay-as-you-go basis. The College participates in this plan as authorized by chapter 28B.10 RCW, and reports its proportionate share of the 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, these plans have been reported under GASB Statement No. 67/68 since fiscal year 2021. Prior to this, the SRP was reported under GASB Statement No. 73. As of June 30, 2024, this plan is being reported with a one-year lag between measurement and reporting date. For FY 2024 this means the measurement date was June 30, 2023 and the reporting date was June 30, 2024.

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 Supplemental Retirement Plans were closed to new entrants.

Members are eligible to receive benefits under this plan at age 62 with 10 years of credited service. The supplemental benefit is a lifetime benefit equal to the amount a member's goal income exceeds their assumed income. The monthly goal income is the one-twelfth of two 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.

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5 percent, 7.50 percent or 10.00 percent of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2024, were $2,612,394.

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

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

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

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was based on the *2021Economic experience study* for the Washington State retirement plans and based on the results of GASB Statement Nos. 67/68 required crossover test, or 7.00 percent for the June 30, 2023, measurement date.

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

1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
$ 1,493,201	$ 1,260,077	$ 1,060,080

Pension Liabilities. At June 30, 2024, the College reported a net pension liability of $1,260,067 for its proportionate share of the net pension liabilities.

The College's proportionate share of pension liabilities for fiscal years ending June 30, 2023, and June 30, 2024, for each retirement plan are listed below:

	2023	2024	Net Change
SBRP	2.4388%	2.3125%	-.1263%

The College's proportion of the net pension liability as based on the college's contributions to the contributions of all community and technical colleges in Washington State.

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

Because the College was changing from measurement and reporting dates being the same to measurement report date being a one-year lag from reporting date, there will be no pension expense recognized in FY 2024.

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

Number of Participating Members				
Plan	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
SRP	3	14	107	124

Net Pension Liability/(Asset). The following table presents the change in net pension liability of the State Board Supplemental Retirement Plans as of June 30, 2023:

Schedule of Development of Net Pension Liability	
Yakima Valley College	
(Dollars in Thousands)	**2023**
Total Pension Liability	
Service Cost	45,905
Interest	165,739
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience[1]	(133,207)
Changes in Assumptions[1]	(263,785)
Benefit Payments	(69,567)
Change in Proprotionate Share of Liability	(128,687)
Other	-
Net Change in Total Pension Liability	(383,602)
Total Pension Liability - Beginning	2,484,672
Total Pension Liability - Ending (a)	**2,101,069**
Plan Fiduciary Net Position	
Contributions - Employer	19,940
Contributions - Member	-
Net Investment Income	54,594
Benefit Payments	-
Administrative Expense	-
Other	(4)
Change in Proportionate Share of Plan Assets	(41,865)
Net Change in Plan Fiduciary Net Position	32,665
Plan Fiduciary Net Position-Beginning	808,327
Plan Fiducairy Net Position-Ending (b)	**840,991**

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

Supplemental Benefit Retirement Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	494,356	615,270
Changes of Assumptions	422,708	969,476
Changes in College's Proportionate Share of Pension Liability	121,465	169,152
Differences between Projected and Actual Earnings on Plan Investments	-	27,104
Contributions subsequent to the measurement date	30,219	-
Total	**$ 1,068,748**	**$ 1,781,002**

The $30,219 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 ending June 30, 2025.

Other 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:

State Board Supplemental Retirement Plan

FY Ending	Pension Expense
2025	(187,784.32)
2026	(130,620.31)
2027	(127,308.24)
2028	(247,521.71)
2029	(9,789.61)
Thereafter	(39,441.38)

Note 15. 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 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 his substantive plan will be carried forward 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. The PEBB 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 systems. Membership in the PEBB plan for the College consisted of the following:

Summary of Plan Participants As of June 30, 2023		
Active Employees*		400
Retirees Receiving Benefits**		158
Retirees Not Receiving Benefits***	NA	
Total Active Employees and Retirees		558

*Reflects active employees eligible for PEBB program participation as of June 30, 2023.

**Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.

***HCA doesn't have data on this group and OSA doesn't have the methodology to reasonably estimate it. For fiscal year 2024, we have no options but to report this amount as not available.

Benefits Provided. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the State's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2024, the explicit subsidy was $183 per member per month and it will remain $183 per member per month in calendar year 2025.

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 (expressed in dollars):

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

*Per 2022 PEBB Financial Projection Model 7.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY 2023 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, 2024, the state reported a total OPEB liability of $4.374 billion. The College's proportionate share of the total OPEB liability is $12,962,691. This liability was determined based on a measurement date of June 30, 2023.

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

Inflation Rate	2.35%
Projected Salary Changes	3.25% Plus Service-Based Salary Increases
Health Care Trend Rates*	Initial trend rate ranges from 2-11%, reaching an ultimate rate of approximately 3.8 in 2080.
Post-Retirement Participation Percentage	60%
Percentage with Spouse Coverage	45%

*For additional detail on the health care trend rates, please see the Office of the State Actuary's 2022 Public Employees' Benefits Board Other Postemployment Benefits Actuarial Valuations Report.

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 (OSA) applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

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

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

Actuarial Valuation Date	6/30/2022
Actuarial Measurement Dat	6/30/2023
Actuarial Cost Method	Entry Age
Amortization Method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset Valuation Method	N/A - No Assets

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

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

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

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

A retiree subsidy rate of $66.16 per member per month, used to calculate the transactions subsequent to the measurement date, is equal to the total subsidies received by current retirees (both explicit and implicit), divided by the number of current active subscribers. This amount is then allocated to the agency level based on the active, health care eligible employee headcount of each agency as of the measurement date.

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.54 percent for the June 30, 2022, measurement date and 3.65 percent for the June 30, 2023, measurement date.

Additional detail on assumptions and methods can be found on OSA's website: http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx

Changes in Total OPEB Liability. As of June 30, 2024, components of the calculation of total OPEB lability determined in accordance with GASB Statement No. 75 for the College are represented in the following table:

Yakima Valley College

Proportionate Share (%)	**0.2963445895%**
Service Cost	454,123
Interest Cost	456,169
Differences Between Expected and Actual Experience	-
Changes in Assumptions*	(219,360)
Changes of Benefit Terms	-
Benefit Payments	(317,739)
Changes in Proportionate Share	(198,393)
Net Change in Total OPEB Liability	174,800
Total OPEB Liability - Beginning	12,787,889
Total OPEB Liability - Ending	**$ 12,962,689**

Sensitivity of the Total Liability to Changes in the Discount Rate. The following represents the total OPEB liability of the College, calculated using the discount rate of 3.65 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.65 percent) or one percentage point higher (4.65 percent) than the current rate:

Discount Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 15,167,224	$ 12,962,689	$ 11,189,383

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 to 11 percent reach an ultimate range of 3.8 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are one percentage point lower (1 to 10 percent) or one percentage point higher (3 to 12 percent) than the current rate:

Health Care Cost Trend Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 10,892,601	$ 12,962,689	$ 15,627,090

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ending June 30, 2024, the College will recognize OPEB expense of $(804,892). OPEB expense consists of the following elements:

Proportionate Share (%)	**0.2963445895%**
Service Cost	454,123
Interest Cost	456,169
Amortization of Differences Between Expected and Actual Experience	7,589
Amortization of Changes in Assumptions	(1,390,284)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	(332,489)
Administrative Expenses	-
Total OPEB Expense	**$ (804,892)**

As of June 30, 2024, the deferred inflows and deferred outflows of resources for the College are as follows:

Deferred Inflows/Outflows of Resources	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	196,834	384,943
Changes in assumptions	842,319	7,766,501
Transactions subsequent to the measurement date	326,645	-
Changes in proportion	146,650	2,249,094

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, 2025. 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:

2025	$	(1,715,184)
2026	$	(1,715,181)
2027	$	(1,435,698)
2028	$	(989,696)
2029	$	(1,142,526)
Thereafter	$	(2,216,450)

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

Proportionate Share (%) 2022		**0.3010145594%**
Proportionate Share (%) 2023		**0.2963445895%**
Total OPEB Liability - Ending 2022		12,787,889
Total OPEB Liability - Beginning 2023		12,589,496
Total OPEB Liability Change in Proportion		(198,393)
Total Deferred Inflows/Outflows - 2022		(8,083,291)
Total Deferred Inflows/Outflows - 2023		(7,957,886)
Total Deferred Inflows/Outflows Change in Proportion		125,405
Total Change in Proportion	**$**	**(323,798)**

Note 16. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2024:

Expenses by Functional Classification		
Instruction		22,395,406
Academic Support Services		3,940,203
Student Services		8,410,590
Institutional Support		8,395,482
Operations and Maintenance of Plant		5,924,971
Scholarships and Other Student Financial Aid		13,327,170
Auxiliary Enterprises		3,634,713
Depreciation		3,611,380
Total operating expenses	**$**	**69,639,914**

Note 17. Commitments and Contingencies

The College has commitments of $2,824,282 for various capital improvement projects that include construction and completion of new buildings 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.

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Yakima Valley College's Proportionate Share of the Net Pension Liability

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

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.058736%	$ 2,958,854	$ 5,961,718	49.63%	61.19%
2015	0.056501%	$ 2,955,528	$ 6,137,320	48.16%	59.10%
2016	0.055989%	$ 2,928,745	$ 6,436,652	45.50%	57.03%
2017	0.055621%	$ 3,006,873	$ 6,790,590	44.28%	61.24%
2018	0.053357%	$ 2,382,955	$ 6,908,754	34.49%	63.22%
2019	0.054188%	$ 2,082,045	$ 7,432,592	28.01%	67.12%
2020	0.054543%	$ 1,923,986	$ 8,080,040	23.81%	68.64%
2021	0.053780%	$ 655,103	$ 8,201,049	7.99%	88.74%
2022	0.050409%	$ 1,403,571	$ 8,241,606	17.03%	76.56%
2023	0.051144%	$ 1,167,481	$ 9,134,771	12.78%	80.16%

*These schedules are to be built prospectively until they contain 10 years of data.

Cost Sharing Employer Plans

Schedules of Yakima Valley College's Proportionate Share of the Net Pension Liability

Schedule of Yakima Valley College's Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability/(asset)	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.064745%	$ 1,308,730	$ 5,603,855	23.35%	93.29%
2015	0.061170%	$ 2,362,399	$ 5,866,535	40.27%	89.20%
2016	0.066783%	$ 2,386,195	$ 6,235,164	38.27%	85.82%
2017	0.067517%	$ 3,362,471	$ 6,619,420	50.80%	90.97%
2018	0.065068%	$ 1,110,976	$ 6,770,302	16.41%	95.77%
2019	0.066870%	$ 647,178	$ 7,298,402	8.87%	97.77%
2020	0.068235%	$ 870,330	$ 7,959,486	10.93%	97.22%
2021	0.068134%	$ (6,789,599)	$ 8,159,697	-83.21%	120.29%
2022	0.065529%	$ (2,430,328)	$ 8,229,610	-29.53%	106.73%
2023	0.660510%	$ (2,707,222)	$ 9,134,771	-29.64%	107.02%

*These schedules are to be built prospectively until they contain 10 years of data.

Cost Sharing Employer Plans

Schedules of Yakima Valley College’s Proportionate Share of the Net Pension Liability

Schedule of Yakima Valley College's Share of the Net Pension Liability
Teachers’ Retirement System (TRS) Plan 1
Measurement Date of June 30

Fiscal Year	College’s proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College’s proportionate share of the net pension liability as a percentage of its covered payroll	Plan’s fiduciary net position as a percentage of the total pension liability
2014	0.006949%	$ 204,958	$ 298,791	68.60%	68.77%
2015	0.007460%	$ 236,343	$ 353,980	66.77%	65.70%
2016	0.010915%	$ 345,803	$ 527,068	65.61%	62.07%
2017	0.010023%	$ 372,664	$ 548,621	67.93%	65.58%
2018	0.011224%	$ 327,807	$ 659,005	49.74%	66.52%
2019	0.013392%	$ 331,033	$ 906,979	36.50%	70.37%
2020	0.154640%	$ 371,969	$ 1,111,702	33.46%	70.55%
2021	0.015653%	$ 104,865	$ 1,170,274	8.96%	91.42%
2022	0.014817%	$ 281,795	$ 1,216,550	23.16%	78.24%
2023	0.017448%	$ 220,983	$ 1,461,063	15.12%	85.09%

*These schedules are to be built prospectively until they contain 10 years of data.60

Cost Sharing Employer Plans

Schedules of Yakima Valley College's Proportionate Share of the Net Pension Liability

Schedule of Yakima Valley College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability/(asset)	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.006665%	$ 21,527	$ 282,941	7.61%	96.81%
2015	0.007319%	$ 61,758	$ 341,300	18.09%	92.48%
2016	0.010504%	$ 88,633	$ 514,008	17.24%	88.72%
2017	0.009764%	$ 144,251	$ 535,321	26.95%	93.14%
2018	0.011070%	$ 49,828	$ 649,470	7.67%	96.88%
2019	0.013490%	$ 80,777	$ 906,979	8.91%	96.36%
2020	0.157600%	$ 241,565	$ 1,111,702	21.73%	91.72%
2021	0.015678%	$ (431,463)	$ 1,170,274	-36.87%	113.72%
2022	0.015276%	$ (30,061)	$ 1,216,550	-2.47%	100.86%
2023	0.017382%	$ (21,348)	$ 1,461,063	-1.46%	100.49%

*These schedules are to be built prospectively until they contain 10 years of data.

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions

Public Employees' Retirement System (PERS) Plan 1

Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2015	$ 259,678	$ 259,678	$ -	$ 6,137,320	4.23%
2016	$ 317,511	$ 317,511	$ -	$ 6,436,652	4.93%
2017	$ 334,577	$ 334,577	$ -	$ 6,790,590	4.93%
2018	$ 357,882	$ 357,882	$ -	$ 6,908,754	5.18%
2019	$ 390,245	$ 390,245	$ -	$ 7,432,592	5.25%
2020	$ 394,259	$ 394,259	$ -	$ 8,080,040	4.88%
2021	$ 401,273	$ 401,273	$ -	$ 8,201,049	4.89%
2022	$ 305,339	$ 305,339	$ -	$ 8,241,606	3.70%
2023	$ 350,000	$ 350,000	$ -	$ 9,134,771	3.83%
2024	$ 296,242	$ 296,242	$ -	$10,023,261	2.96%

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

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Public Emplyees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2015	$ 294,521	$ 294,521	$ -	$ 5,866,535	5.02%
2016	$ 385,529	$ 385,529	$ -	$ 6,235,164	6.18%
2017	$ 412,390	$ 412,390	$ -	$ 6,619,420	6.23%
2018	$ 507,101	$ 507,101	$ -	$ 6,770,302	7.49%
2019	$ 548,506	$ 548,506	$ -	$ 7,298,402	7.52%
2020	$ 630,284	$ 630,284	$ -	$ 7,959,486	7.92%
2021	$ 646,250	$ 646,250	$ -	$ 8,159,697	7.92%
2022	$ 522,193	$ 522,193	$ -	$ 8,229,610	6.35%
2023	$ 582,273	$ 582,273	$ -	$ 9,134,771	6.37%
2024	$ 637,480	$ 637,480	$ -	$10,023,261	6.36%

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

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions

Teachers' Retirement System (TRS) Plan 1

Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2015	$ 16,693	$ 16,693	$ -	$ 353,980	4.72%
2016	$ 24,632	$ 24,632	$ -	$ 527,068	4.67%
2017	$ 35,072	$ 35,072	$ -	$ 548,621	6.39%
2018	$ 47,719	$ 47,719	$ -	$ 659,005	7.24%
2019	$ 67,034	$ 67,034	$ -	$ 906,979	7.39%
2020	$ 79,944	$ 79,944	$ -	$ 1,111,702	7.19%
2021	$ 86,510	$ 86,510	$ -	$ 1,170,274	7.39%
2022	$ 76,057	$ 76,057	$ -	$ 1,216,550	6.25%
2023	$ 95,026	$ 95,026	$ -	$ 1,461,063	6.50%
2024	$ 35,917	$ 35,917	$ -	$ 1,970,087	1.82%

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

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions **Teachers' Retirement System (TRS) Plan 2/3** Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2015	$ 19,449	$ 19,449	$ -	$ 341,300	5.70%
2016	$ 42,826	$ 42,826	$ -	$ 514,008	8.33%
2017	$ 35,974	$ 35,974	$ -	$ 535,321	6.72%
2018	$ 50,444	$ 50,444	$ -	$ 649,470	7.77%
2019	$ 71,016	$ 71,016	$ -	$ 906,979	7.83%
2020	$ 90,423	$ 90,423	$ -	$ 1,111,702	8.13%
2021	$ 95,378	$ 95,378	$ -	$ 1,170,274	8.15%
2022	$ 97,994	$ 97,994	$ -	$ 1,216,550	8.06%
2023	$ 118,613	$ 118,613	$ -	$ 1,461,063	8.12%
2024	$ 158,775	$ 158,775	$ -	$ 1,970,087	8.06%

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

State Board Supplemental Defined Benefits Plans

Schedule of Changes in the Net Pension Liability and Related Ratios Yakima Valley College Measurement Date of June 30	2021	2022	2023
Total Pension Liability			
Service Cost	$ 118,700	$ 36,752	$ 45,905
Interest	84,430	123,816	165,739
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(761,686)	547,162	(133,207)
Changes of assumptions	(1,374,679)	177,738	(263,785)
Benefit Payments	(50,608)	(73,529)	(69,567)
Change in Proportionate Share	165,721	(36,981)	(86,822)
Other	-	-	-
Net Change in Total Pension Liability	**$ (1,818,122)**	**$ 774,958**	**$ (341,737)**
Total Pension Liability - Beginning	3,560,666	1,742,522	2,517,480
Total Pension Liability - Ending (a)	**$ 1,742,544**	**$ 2,517,480**	**$ 2,175,743**
Plan Fiduciary Net Position**			
Contributions-Employer	$ 16,666	$ 20,315	$ 19,940
Contributions - Member		-	-
Net Investment Income	208,606	1,268	54,594
Benefit Payments			
Administrative Expense			
Other			(4)
Net Change in Plan Fiduciary Net Position	**$ 225,272**	**$ 21,583**	**$ 74,530**
Plan Fiduciary Net Position-Beginning	594,314	819,561	841,144
Plan Fiduciary Net Position-Ending (b)	**$ 819,586**	**$ 841,144**	**$ 915,674**
Plan's Net Pension Liability (Asset) -- Ending (a)-(b)	**$ 922,961**	**$ 1,676,336**	**$ 1,260,069**
Covered Payroll	$ 16,425,165	$ 15,270,295	$ 15,129,956
Plan Fiduciary Net Position as a percentage of total pension liability	47%	33%	42%
Total Pension Liability as a percentage of covered-employee payroll	5.62%	10.98%	8.33%

Notes: These schedules will be built prospectively until they contain 10 years of data.
n/a indicates data not available.

Schedule of Employer Contributions
State Board Supplemental Retirement Plan
Yakima Valley College
Fiscal Year Ended June 30

	2021	2022	2023
Statutorily determined contributions	$ 21,353	$ 19,851	$ 19,665
Actual contributions in relation to the above	20,826	19,851	19,665
Contribution deficiency (excess)	$ (527)	$ (0)	$ (0)
Covered Payroll	$ 16,425,165	$ 15,270,295	$ 15,127,142
Contribution as a % of covered payroll	0.13%	0.13%	0.13%

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

Required Supplementary Information

Other Post-employment Benefits Information

Schedule of Changes in Total OPEB PEBB Liability and Related Ratios Measurement Date of June 30						
Total OPEB Liability	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**
Service cost	$ 454,123	$ 943,356	$ 1,029,204	$ 829,339	$ 795,071	$ 1,062,476
Interest cost	456,169	437,705	444,816	693,755	689,679	730,446
Difference between expected and actual experience	-	(433,470)	-	(106,312)	-	666,755
Changes in assumptions	(219,360)	(7,318,801)	190,049	449,709	1,284,362	(4,651,362)
Changes in benefit terms	-	-	-	-	-	-
Benefit payments	(317,739)	(321,583)	(338,888)	(330,307)	(315,486)	(308,504)
Changes in proportionate share	(198,393)	(1,111,213)	(718,802)	(479,977)	188,575	(432,443)
Other	-	-	-	(706,641)	-	-
Net Changes in Total OPEB Liability	174,799	(7,804,006)	606,379	349,566	$ 2,642,201	$ (2,932,632)
Total OPEB Liability - Beginning	12,787,890	20,591,896	19,985,517	19,635,951	$ 16,993,750	$ 19,926,382
Total OPEB Liability - Ending	12,962,689	12,787,890	20,591,896	19,985,517	$ 19,635,951	$ 16,993,750
College's proportion of the Total OPEB Liability (%)	0.029634%	0.301015%	0.318185%	0.330056%	0.338326%	0.334613%
Covered Payroll	27,824,745	29,358,269	24,728,451	28,006,586	$ 27,390,031	$ 23,034,221
Total OPEB Liability as a percentage of covered-employee payroll	46.586911%	43.558052%	83.272082%	71.360062%	71.690138%	73.7761007%

*This schedule is to be built prospectively until it contains 10 years of data.

Notes to Required Supplementary Information

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

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, benefit terms, changes in size and composition of population covered by benefit terms, and the variable income investment return.

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

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

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