

# Tacoma Community College

*(A component unit of the State of Washington)*

## **FINANCIAL STATEMENTS**

For the fiscal year ended June 30, 2025





# Tacoma Community College 2025 Financial Statements

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# Board of Trustees and Administrative Officers

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Dona Ponepinto, M.S., Chair

LaTasha Wortham, Vice Chair

Lois Bernstein, M.S., M.B.A.

Manny Santiago, M.P.A.

Pat Shuman, M.S.

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## Non-Voting Representatives

Jeffrey Engle, President of TCCFT

Laura Crook, Chair of Exempt Council

Gerald Freeze, Chair of Classified Council

Randy Phillips, ASTCC Student Body President

Brandon Ervin, President of TCC Foundation

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## College Leadership

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

Marissa Schlesinger, M.A., Provost, Vice President of Academic Affairs Jul 2024-Jan-2025

Valerie Sundby, Ed.D, Provost, Vice President of Academic Affairs Feb 2025-Jun 2025

Patricia McCray-Roberts, M.B.A., Vice President of Administrative Affairs

Tamyra Howser, M.A., Vice President of College Relations

Karl Smith, M.I.T., Vice President of Student Affairs

**April 10, 2026**

**Dona Ponepinto, Board Chair  
Board of Trustees  
Tacoma Community College  
Tacoma, WA 98466**

I am pleased to submit Tacoma Community College's 2025 Financial Statements to the Board of Trustees. Management accepts full responsibility for the accuracy and completeness of the information contained in this report.

The College continues to deliver a high-quality educational experience through in-person, hybrid and fully online learning modalities. We are proud to serve a diverse community of learners and to provide an exceptional academic environment that supports student success and meaningful career pathways. Our ongoing commitment is to ensure students are equipped with the knowledge and skills necessary to thrive in today's workforce.

The 2025 Financial Statements underscores our responsibility as careful stewards of public resources. This financial audit provides assurance to the public and our stakeholders regarding the sound management of college and state funds. Our independent auditor, Clark Nuber, P.S., has once again issued a clean (unmodified) opinion on the College's financial statements.

The Management Discussion and Analysis, which follows the Independent Auditor's Report, offers additional insight into the College's financial condition and operating results.

I am confident that the College is well positioned to continue meeting the needs of students and the broader community.

Sincerely,



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

## Independent Auditor's Report

To the Board of Trustees  
Tacoma Community College  
Tacoma, Washington

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinions

We have audited the financial statements of the Tacoma Community College (the College), the aggregate discretely presented component unit, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Tacoma Community College, the aggregate discretely presented component unit, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Tacoma Community College Foundation, a discretely component unit of the College which represents 6%, 8%, and 2%, respectively of the assets, net position, and revenues of the College. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Tacoma Community College Foundation, is based solely on the report of the other auditors.

#### Basis for Opinions

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



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## **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

### **Matters of Emphasis**

As discussed in Note 1, the financial statements of the Tacoma Community College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2025, 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 1, during the year ended June 30, 2025, the College adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*. The financial statements have been retroactively and prospectively restated for these changes, respectively. Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Schedule of Tacoma Community College's Share of Net Pension Liability, Net Other Postemployment Benefits Liability and Schedules of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by *Government Auditing Standards***

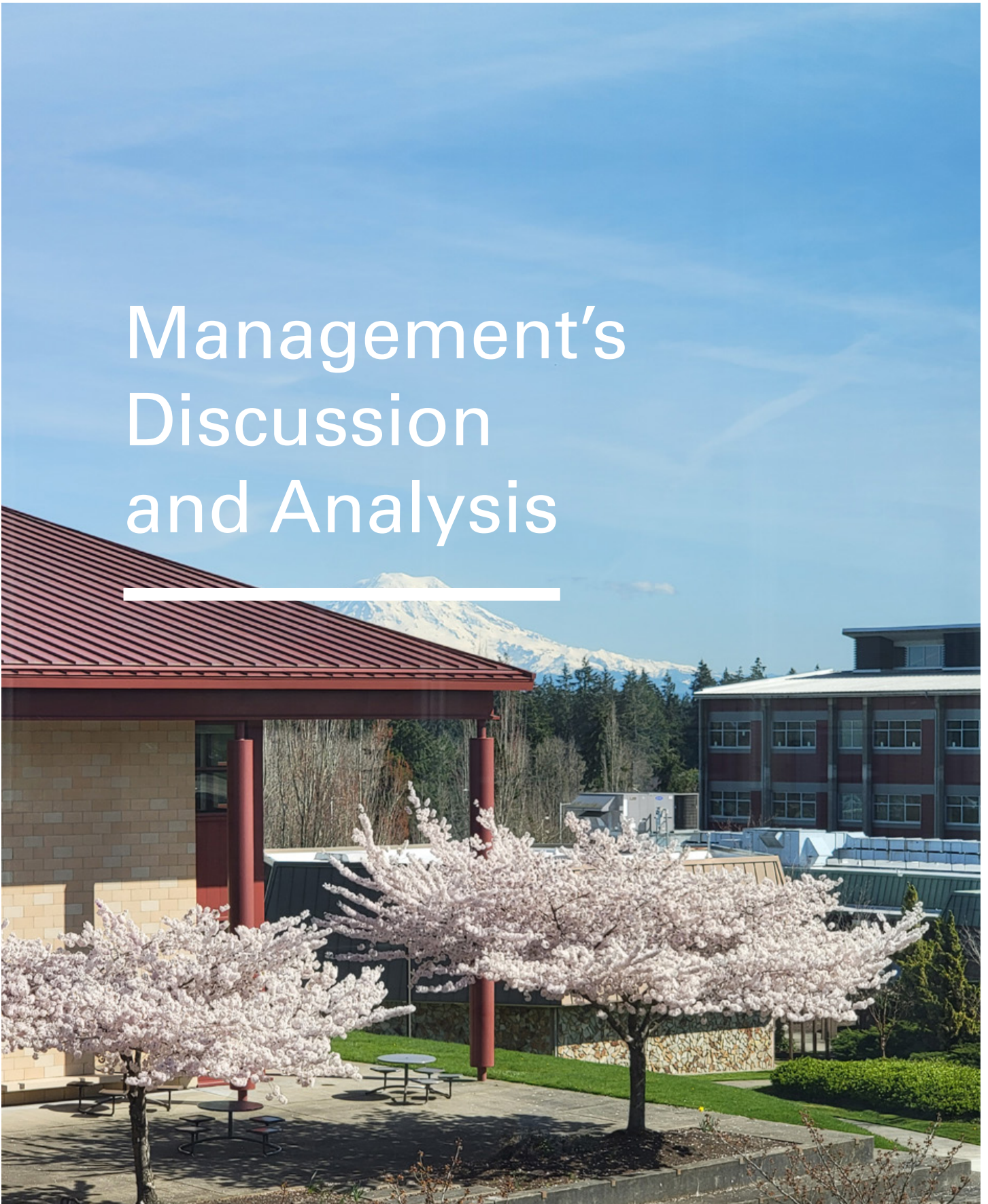
In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2026, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

*Clark Nuber P.S.*

Certified Public Accountants  
May 6, 2026

# Management's Discussion and Analysis

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## **Tacoma Community College**

The following discussion and analysis provide an overview of the financial position and activities of Tacoma Community College (the College) for the fiscal year ended June 30, 2025 (FY 2025).

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 footnotes.

## **Reporting Entity**

Tacoma Community College is one of thirty public community and technical college districts in the State of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 10,627 students. The College confers baccalaureate degrees, associates degrees, certificates, and high school diplomas. The College was established in 1965 and its primary purpose is to create meaningful learning, advance equity, and strengthen student and community success.

The College's main campus is located in Tacoma, Washington, a community of about 960,000 residents. The College also has operations in Gig Harbor, Washington. The College is governed by a five-member Board of Trustees appointed by the governor of the state with the consent of the State Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

## **Using the Financial Statements**

The financial statements presented in this report encompass the College and its discreetly presented component unit, the Tacoma Community College Foundation (the Foundation). The College's financial statements include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2025. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash Flows provides information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying footnotes, provide a comprehensive way to assess the College's financial health.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are reported under the accrual basis of accounting where all the current year's revenues and expenses are taken into account regardless of when cash is received or payments are made. Full accrual statements are intended to provide a view of the College's financial position similar to that presented by most private-sector companies. These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

## **Statement of Net Position**

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

**Condensed Statement of Net Position  
As of June 30, 2025 and 2024**

	2025	2024
<b>Assets</b>		
Current Assets	\$51,627,845	\$50,131,087
Capital Assets, net	144,266,619	122,679,350
Other Assets, non-current	7,102,430	10,894,385
<b>Total Assets</b>	202,996,894	183,704,822
<b>Deferred Outflows of Resources</b>	9,897,079	9,039,115
<b>Liabilities</b>		
Current Liabilities	17,664,788	17,555,761
Other Liabilities, non-current	29,009,686	29,666,405
<b>Total Liabilities</b>	46,674,474	47,222,166
<b>Deferred Inflows of Resources</b>	16,408,239	18,810,739
<b>Net Position</b>		
Net Investment in Capital Assets	137,394,790	115,102,459
Restricted, expendable	3,669,460	3,751,625
Unrestricted	8,747,010	7,856,948
<b>Total Net Position</b>	\$149,811,260	\$126,711,032

Current assets consist of cash, cash equivalents, various accounts receivable and inventories. The \$1,496,758 increase was a result of an increase in short-term investments and accounts receivable. The increase in accounts receivable is due to an increase in enrollment.

Net capital assets increased by \$21,587,270 from FY 2024 to FY 2025. The increase in capital assets is the result of the completion of the Center for Innovative Learning and Engagement (CILE) building, roof improvements to buildings, improvements other than buildings, furniture and equipment.

Non-current assets consist of investments in 1) U.S. government sponsored enterprise bonds and 2) restricted cash which decreased to \$741,133. Non-current assets also include actuarial valuations of pension plans that ended in a net pension asset of \$2,814,812 which decreased from FY 2024 to FY 2025 by \$713,083.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and post-employment benefits associated with the implementation of GASB Statement No. 68 and Statement No. 75. The increase in deferred outflows reflects the College's proportionate share of an increase in the state-wide amounts reported by the Department of Retirement Systems (DRS) and Health Care Authority (HCA) due to differences between expected and actual experience related to the actuarial assumptions. The College recorded \$9,897,079 in FY 2025 and \$9,039,115 in FY 2024 of pension and post-employment related deferred outflows. The increase reflects the change in proportionate share.

Similarly, The College recorded \$16,408,239 in FY 2025 and \$18,810,739 in FY 2024 of pension and post-employment related deferred inflows. The decrease reflects the decrease in the difference between actual and projected investment earnings on the state's pension plans and other post-employment benefits.

# Management’s Discussion and Analysis

Current liabilities include accounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of the Certificate of Participation (COP) debt, unearned revenue, the current portion of OPEB liability and the current pension liabilities as well as current portion of right-to-use leases. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements. When compared to FY 2024, FY 2025 accounts payable decreased largely due to the completion of the CILE building and settlement of vendors on time. There was also an increase in unearned revenue due to an enrollment increase in FY 2025.

Implementation of GASB 101-Compensated absences required a restatement of FY 2024 net position of \$400,009 from previously reported amounts.

Non-current liabilities primarily consist of the value of compensated absences earned but not yet used by employees, the long-term portion of Certificates of Participation debt, and the long-term portions of pension liabilities and OPEB liability. Long term right-to-use lease liability decreased by the payments made during the year. Non-current liabilities decreased by \$656,719 from FY 2024 to FY 2025 mainly due to decreases in notes payable and pension liability.

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

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

**Restricted for Expendable** – resources the College is legally or contractually obligated to spend in accordance with restrictions placed by the donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The primary expendable funds for the College are institutional financial aid funds.

**Unrestricted** – includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management.

As of June 30th		
NET POSITION	2025	2024
Net investment in capital assets	\$137,394,790	\$115,102,459
Restricted		
Expendable	3,669,460	3,751,625
Unrestricted	8,747,010	7,856,948
<b>Total Net Position</b>	<b>\$149,811,260</b>	<b>\$126,711,032</b>

## **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 2025. The objective of the statement is to present the revenues earned, both operating and non-operating, and the expenses paid or incurred by the College, along with any other revenue, expenses, gains and losses of the College.

Generally, operating revenues are earned by the College in exchange for providing goods or services. Tuition and fees, grants and contracts are included in this category. In contrast, non-operating revenues include monies the College receives from another government without directly giving equal value to that government in return. Accounting standards require that the 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 assets. When operating revenues, excluding state appropriations and Pell Grants, are measured against operating expenses, the College shows an operating loss. The operating loss is reflective of the external funding necessary to keep tuition lower than the cost of the services provided.

A condensed comparison of the College's revenue, expense and changes in net position for the years ended June 30, 2025 and 2024 is presented below:

**Tacoma Community College**  
**Condensed Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2025 and 2024**

<b>Operating Revenues</b>	<b>2025</b>	<b>2024</b>
Student tuition and fees, net	\$14,886,397	\$16,479,357
Grants and contracts	25,393,598	24,905,004
Auxiliary enterprise sales	2,010,797	1,751,647
Other operating revenues	191,760	1,832,282
<b>Total operating revenues</b>	<b>42,482,552</b>	<b>44,968,290</b>
<b>Non-Operating Revenues</b>		
State appropriations	43,923,979	40,330,062
Federal Pell grant revenue	12,763,825	8,781,978
Other non-operating revenues	314,115	832,956
<b>Total non-operating revenues</b>	<b>57,001,919</b>	<b>49,944,996</b>
<b>Total revenues</b>	<b>99,484,471</b>	<b>94,913,286</b>
<b>Operating Expenses</b>		
Salaries and Benefits	64,876,789	59,316,710
Scholarships	16,538,877	13,279,397
Depreciation	4,360,440	3,996,632
Other operating expenses	15,063,950	14,890,464
<b>Total operating expenses</b>	<b>100,840,056</b>	<b>91,483,203</b>
<b>Non-Operating Expenses</b>		
Building fee remittance	2,591,606	2,188,271
Interest expense	232,300	248,073
<b>Total non-operating expenses</b>	<b>2,823,906</b>	<b>2,436,344</b>
<b>Total expenses</b>	<b>103,663,962</b>	<b>93,919,547</b>
<b>(Deficiency) Excess before capital contributions</b>	<b>(4,179,491)</b>	<b>993,739</b>
<b>Capital appropriations and contributions</b>	<b>27,679,728</b>	<b>19,851,021</b>
<b>Change in Net position</b>	<b>23,500,237</b>	<b>20,844,760</b>
<b>Net Position</b>		
Net position, beginning of year	126,711,032	105,866,272
Cumulative effect of a change in accounting principle	(400,009)	
Net position, beginning of year, as restated	126,311,023	105,866,272
<b>Net position, end of year</b>	<b>\$149,811,260</b>	<b>\$126,711,032</b>

## Revenues

The State of Washington, through its legislative budget process, appropriates funds to the community and technical college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college.

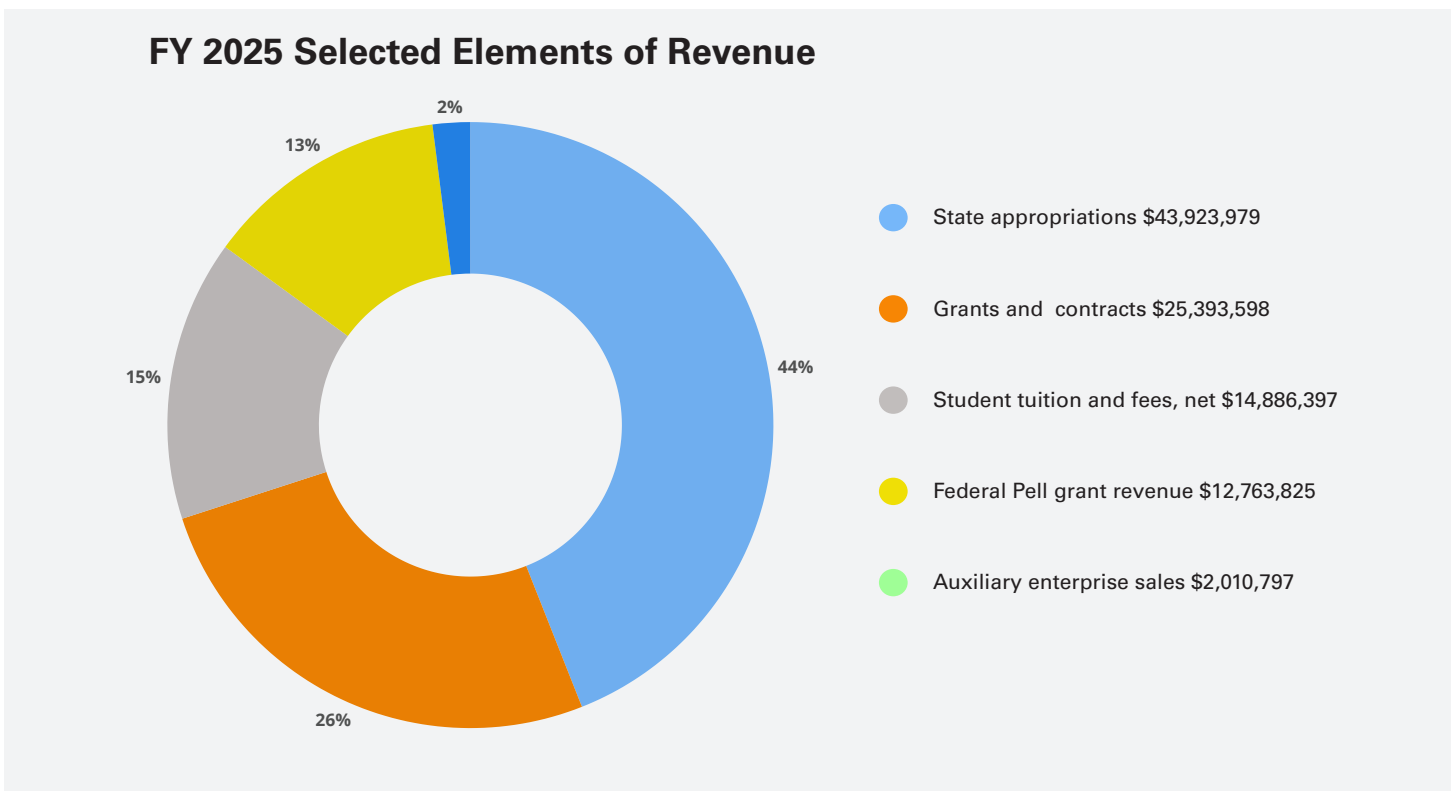
In FY 2025, the College's decrease in tuition and fee revenue is primarily attributable to the increase in scholarship allowance as a result of changes in the calculation method. However, enrollment increased along with the increase in tuition rates.

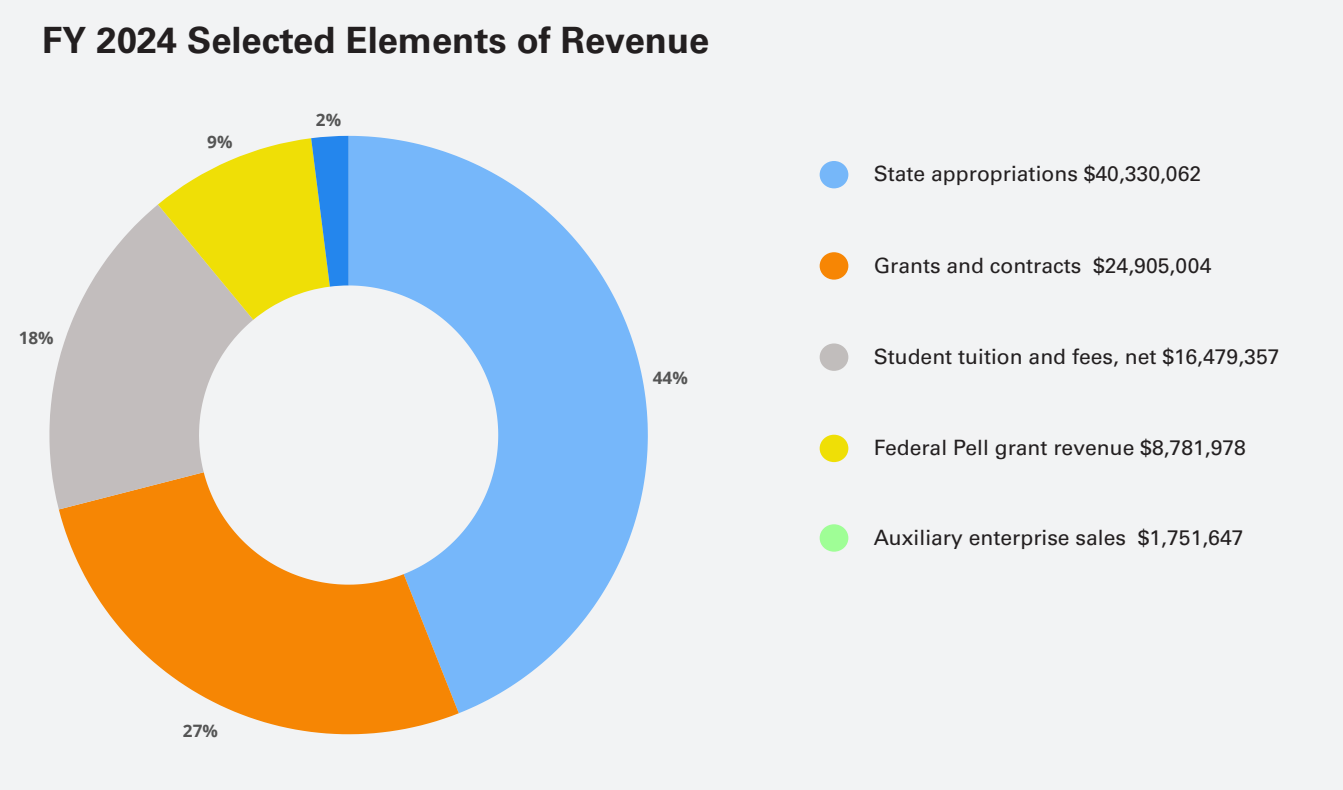
Pell Grant revenues generally follow enrollment trends and can fluctuate year to year. Because the College's enrollment increased during FY 2025, the College's Pell Grant revenue also increased by \$3,981,847.

In FY 2025, grant and contract revenues increased by \$488,594 when compared with FY 2024. The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses. The College also serves contracted international students who are not supported by state dollars.

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

The following illustrations show selected elements of revenue by source, both operating and non-operating used to fund the College's programs for the years ended June 30, 2025 and 2024, in percentage terms:





**Expenses**

The College has continuously sought opportunities to identify savings and efficiencies. Operating expenses for FY 2025 increased by \$9,356,853 over FY 2024. In FY 2025, salary and benefit costs increased significantly as a result of a 5.843% salary increases for faculty and 3% salary increases for all other staff as approved by the Legislature, the addition of positions, increases due to pay equity compensation analysis, and competitive job market conditions for exempt staff and faculty positions.

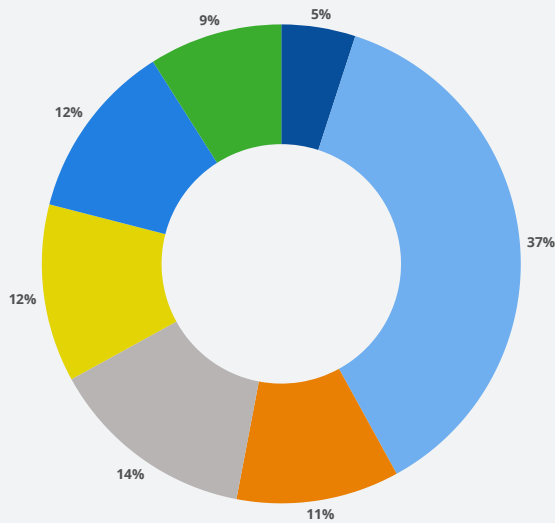
Salaries and wages, and employee benefits are the major support costs for the College’s programs, followed by scholarships, fellowships and other aid and supplies, materials and services.

Utility costs have increased as a result of increased rates from utility providers. Scholarships and financial aid have increased significantly as a result of increased enrollment by eligible students. Supplies and services have decreased primarily due prudent spending.

**Operating Expenses by Function**

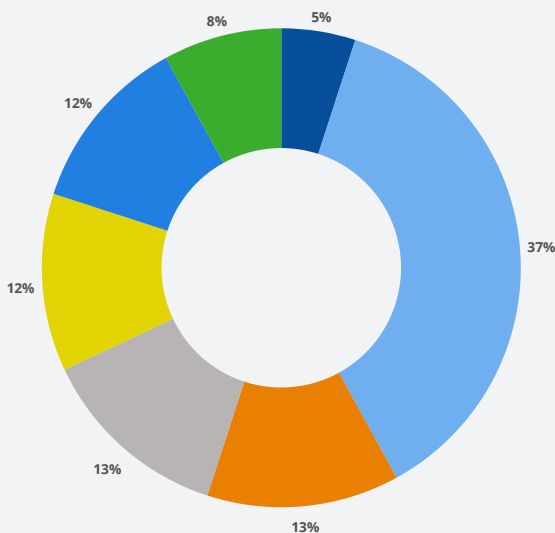
The chart below shows the percentage of each functional area of operating expenses for FY 2025 and FY 2024:

## FY 2025 Expenses by Functional Type



- Instruction \$36,931,823
- Operation and maintenance \$14,700,875
- Scholarships, fellowships and other aid \$12,031,666
- Student services \$11,984,985
- Institutional support \$11,414,818
- Academic support services \$8,848,038
- Auxiliary enterprises \$4,927,851

## FY 2024 Expenses by Functional Type



- Instruction \$33,505,174
- Student services \$12,049,481
- Scholarships, fellowships and other aid \$11,724,712
- Operation and maintenance \$10,985,183
- Institutional support \$10,910,071
- Academic support services \$7,573,445
- Auxiliary enterprises \$4,735,137

## Capital Assets and Related Debt

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

At June 30, 2025, the College had invested \$144,266,619 in capital assets, net of accumulated depreciation. This represents an increase of \$21,587,270 from last year, as shown in the table below.

ASSETTYPE	June 30, 2025	June 30, 2024	Change
Land	\$1,450,071	\$1,450,071	\$ -
Construction in Progress	2,233,104	22,175,201	(19,942,097)
Buildings, net	132,312,310	91,603,159	40,709,151
Other Improvements and Infrastructure, net	5,393,527	4,502,213	891,314
Equipment, net	2,658,025	2,648,479	9,546
Library Resources, net	125,673	117,393	8,280
Right-to-use asset, net	93,909	182,834	(88,924)
<b>Total Capital Assets, Net</b>	<b>\$144,266,619</b>	<b>\$122,679,350</b>	<b>\$21,587,270</b>

The increase in net capital assets can be primarily attributed to the construction of the Center for Innovative Learning and Engagement building and roof improvements offset by depreciation expense. Additional information on capital assets can be found in Note 6.

Right-to-use lease assets decreased due to amortization in FY 2025 of \$88,924. The amounts in the table above are reported net of accumulated amortization.

At June 30, 2025, the College had \$6,735,000 in outstanding debt, made of up of Certificates of Participation (COP) with the state treasurer. This represents a decrease of \$585,000 from last year. The College has right-to-use lease liabilities for equipment.

	June 30, 2025	June 30, 2024	Change
Certificate of Participation	\$6,776,667	\$7,392,214	\$(616,547)
Right-to-use Lease Liabilities	95,163	184,677	(89,514)
<b>Total</b>	<b>\$6,871,830</b>	<b>\$7,576,891</b>	<b>\$(705,061)</b>

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

### **Economic Factors That May Affect the Future**

After nearly two years of work, a presidential task force made final recommendations to the State Board on adjustments to the current allocation model. The changes are tweaks to the current system rather than a whole re-write. The most impactful change is in how the model recognizes changes to the student enrollment patterns throughout the state and adjusts funding in an appropriate way. The new model will handle those changes in a much faster way than the current model.

The State Board for Community and Technical Colleges adopted the recommendations, and this will be implemented in fiscal year 2027. The initial impacts of the model will be distributed over a six-year period, ending in fiscal year 2032, with each college seeing one-sixth of their impact each year. Like the current model, the new model allocates funding to each college/district the funds received in the state's budget. The model is based on performance in several key indicators, from general enrollments to enrollments in high-cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state. Due to a decrease in enrollment when compared to the allocation model, it is estimated that the College will likely see a decrease in the state operating appropriations next year.

For the 2025-27 fiscal biennium, the legislature increased the overall appropriation for the community college system by a small amount. However, much of these increases were in legally mandated expenditures such as Cost-of-Living-Increases. The appropriation for general operating expenses decreased by one-half of one percent. The September 2025 tax revenue forecasts for the 2025-27 biennium and 2027-2029 biennia predicts less growth of tax revenue than previously anticipated, and this may have negative impacts on legislative appropriations to all state agencies including higher education institutions. This lower tax collection is exacerbated by decreases in Federal funding for Higher Education support.

Washington's personal income growth, which is the main factor in calculating future tuition increases, is slightly higher than the national average in the first quarter of 2025, and is forecasted to continue higher than the national average from 2026-2030. 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.

As the College continues to be affected by the results of the current economy, an increase in enrollments has been experienced along with increased costs due to inflation. The College will be looking closely at budgets and ways to innovate instruction subject matter and modalities to attract and retain more students.

***As of June 30, 2025***

<b>Assets</b>	<b>College</b>	<b>Foundation</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$24,628,307	\$3,399,586
Accounts receivable, net	23,084,326	5,500
Short term investments	3,460,280	8,684,024
Inventories	454,932	-
Unconditional promises to give, net	-	47,577
<b>Total current assets</b>	<b>51,627,845</b>	<b>12,136,687</b>
<b>Non-Current Assets</b>		
Restricted cash and cash equivalents	741,133	-
Investments	3,546,485	-
Net pension asset	2,814,812	-
Land and construction in progress	3,683,175	-
Capital assets, net of depreciation	140,583,444	-
Long term unconditional promises to give, net	-	71,898
<b>Total non-current assets</b>	<b>151,369,049</b>	<b>71,898</b>
<b>Total assets</b>	<b>202,996,894</b>	<b>12,208,585</b>
<b>Deferred Outflows (related to pension plans and OPEB) Liabilities</b>	<b>9,897,079</b>	-
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	4,478,589	235,928
Compensated absences	2,018,797	-
Unearned revenues	9,894,124	-
Current portion of notes payable	615,000	-
Lease liability	84,209	-
Pension liability	127,210	-
Other post-employment benefits	446,859	-
<b>Total current liabilities</b>	<b>17,664,788</b>	<b>235,928</b>
<b>Non-Current Liabilities</b>		
Compensated absences	3,531,628	-
Long-term portion of notes payable	6,161,667	-
Lease liability	10,954	-
Net pension liability	1,585,349	-
Pension liability	1,202,593	-
Other post-employment benefits	16,517,495	-
<b>Total non-current liabilities</b>	<b>29,009,686</b>	-
<b>Total Liabilities</b>	<b>46,674,474</b>	<b>235,928</b>
<b>Deferred Inflows (related to pension plans and OPEB)</b>	<b>16,408,239</b>	-
<b>Net Position</b>		
Net investment in capital assets	137,394,790	-
Restricted:		11,630,595
Expendable	3,669,460	-
Unrestricted surplus	8,747,010	342,062
<b>Total Net Position</b>	<b>\$149,811,260</b>	<b>\$12,208,585</b>

# Statement of Revenues, Expenses and Changes in Net Position

## *For the Year Ended June 30, 2025*

	College	Foundation
<b>Operating Revenues</b>		
Student tuition and fees, net of scholarship discounts and allowances	\$14,886,397	\$ -
State and local grant and contracts	25,259,084	215,413
Auxiliary enterprise sales	2,010,797	-
Federal grants and contracts	134,514	-
Dividends and interest income	-	829,794
Contributions	-	1,359,037
Other operating revenues	191,760	567,251
<b>Total operating revenue</b>	<b>42,482,552</b>	<b>2,971,495</b>
<b>Operating Expenses</b>		
Salaries and wages	51,915,410	474,061
Employee benefits	12,961,379	-
Scholarships, fellowships and other aid	16,538,877	232,393
Supplies, materials and services	7,045,831	-
Depreciation	4,360,440	-
Utilities	1,551,857	-
Other operating expenses	6,466,262	153,391
Program expenses	-	812,760
<b>Total operating expenses</b>	<b>100,840,056</b>	<b>1,672,605</b>
<b>Operating (Loss) Income</b>	<b>(58,357,504)</b>	<b>1,298,890</b>
<b>Non-Operating Revenues (Expenses)</b>		
State appropriations	43,923,979	-
Federal Pell grant revenue	12,763,825	-
Investment Income (Loss)	903,124	-
Gain/(Loss) Sale of fixed assets	(589,009)	-
Interest expense	(232,300)	-
Building and innovation fees	(2,591,606)	-
<b>Net non-operating revenues</b>	<b>54,178,013</b>	<b>-</b>
<b>(Loss) Income before capital appropriations</b>	<b>(4,179,491)</b>	<b>1,298,890</b>
Capital appropriations	27,679,728	-
<b>Increase in net position</b>	<b>23,500,237</b>	<b>1,298,890</b>
<b>Net Position</b>		
Net position, beginning of year	126,711,032	10,673,767
Change in accounting principle	(400,009)	-
Net position, beginning of year, as restated	126,311,023	-
<b>Net position, end of year</b>	<b>\$149,811,260</b>	<b>\$11,972,657</b>

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

***For the Year Ended June 30, 2025***

	College	Foundation
<b>Cash Flows (used in) provided by Operating Activities</b>		
Student tuition and fees, net	\$15,425,215	\$ -
Grants and contracts	25,372,397	-
Auxiliary enterprise sales, net	2,010,797	-
Federal grants and contracts	(719,152)	-
Other revenues	191,760	1,186,767
Dividend and interest income	-	326,027
Payments for employees	(67,453,703)	(474,061)
Payments to vendors	(16,431,221)	(744,330)
Payments for scholarships and fellowships	(16,538,877)	-
<b>Net cash (used in) provided by operating activities</b>	<b>(58,142,784)</b>	<b>294,403</b>
<b>Cash Flows provided by Noncapital Financing Activities</b>		
State appropriations	45,296,936	-
Federal Pell grant receipts	12,763,825	-
Building and innovation fee remittances	(2,591,606)	-
Permanently restricted endowment contributions	-	482,506
<b>Net cash provided by noncapital financing activities</b>	<b>55,469,155</b>	<b>482,506</b>
<b>Cash Flows provided by Capital and Related Financing Activities</b>		
Capital appropriations	27,679,728	-
Purchase of capital assets	(26,333,991)	-
Proceeds from assets disposed	185	-
Principal paid on capital debt	(674,514)	-
Interest paid on capital debt	(262,847)	-
<b>Net cash provided by capital and related financing activities</b>	<b>408,561</b>	<b>-</b>
<b>Cash Flows provided by Investing Activities</b>		
Purchase of investments	(2,031,502)	(1,012,601)
Sales and maturities of investments	2,000,000	1,090,585
Investment income	633,610	-
<b>Net cash provided by investing activities</b>	<b>602,108</b>	<b>77,984</b>
<b>(Decrease) Increase in Cash and Cash Equivalents</b>	<b>(1,662,960)</b>	<b>854,893</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>27,032,400</b>	<b>2,544,693</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$25,369,440</b>	<b>\$3,399,586</b>
<b>Reconciliation of Cash and Cash Equivalents:</b>		
Cash and cash equivalents	\$24,628,307	\$3,399,586
Restricted cash and cash equivalents	741,133	-
<b>Total cash and cash equivalents</b>	<b>\$25,369,440</b>	<b>\$3,399,586</b>

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

# Statement of Cash Flows

## *For the Year Ended June 30, 2025*

	College	Foundation
<b>Reconciliation of Operating (Loss) Income to Net Cash (Used in) Provided by Operating Activities</b>		
<b>Operating (Loss) Income</b>	\$(58,357,504)	\$1,298,890
<b>Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities</b>		
Depreciation and amortization expense	4,360,440	-
Net unrealized (gain) loss from investments	-	(541,003)
Change in discounts and allowances for uncollectible promises on promise to give.	-	5,941
Donated investments and contribution activity	-	(482,506)
<b>Changes in assets and liabilities</b>		
Accounts receivable	(2,074,627)	(400)
Investments	29,158	-
Unconditional promises to give	-	(125,416)
Accounts payable and accrued expenses	(1,431,898)	136,397
Compensated absences	568,478	-
Unearned revenues	1,873,093	-
Pension/OPEB liability adjustments	(3,109,924)	-
Others	-	2,500
<b>Net cash (used in) provided by operating activities</b>	<b>\$(58,142,784)</b>	<b>\$294,403</b>
<b>Supplemental Non-Cash Activities Information:</b>		
Change in Due from State Treasurer (Noncapital related)	\$(1,321,763)	
Fixed Asset additions in Accounts Payable	\$906,891	
<b>Supplemental Disclosure of Cash Information:</b>		
Cash paid during the year for interest	\$262,847	



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

## Note 1. Summary of Significant Accounting Policies

### Financial Reporting Entity

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

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

The Foundation's financial statements are discretely presented in this report. The Foundation's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2025, the Foundation distributed approximately \$741,839 to the College for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at 6501 South 19th Street, Building 6, Tacoma, WA 98466.

### Joint Venture

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

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

IPS had a nine-member governing body, which included three voting members. The College appoints three members, one of which is a voting member. The College does not have access to IPS assets, nor is it obligated for its debts. The College did have an ongoing financial interest in IPS in that it has rights to revenues in excess of Pierce College's allocated percentage of IPS's gross revenue from the reserve fund in return for performing fiscal agent duties. For the fiscal year ended June 30, 2025, the partnership was dissolved and the College received \$726,989, resulting to a loss of \$204,873 on the joint venture. A copy of IPS's complete financial statements may be obtained from the IPS's Administrative Offices at 4500 Steilacoom Blvd. SW Building 19, Lakewood, WA 98499.

## Note 1. Summary of Significant Accounting Policies (Continued)

### Basis of Presentation

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

### Basis of Accounting

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

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

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

### Cash, Cash Equivalents, and Investments

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

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

### Accounts Receivable

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

## Note 1. Summary of Significant Accounting Policies (Continued)

### Inventories

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

### Capital Assets

In accordance with state law, capital assets constructed with state funds are owned by the State of Washington. Property titles are shown accordingly. However, responsibility for managing the assets rests with the College. As a result, the assets are included in the financial statements because excluding them would be misleading.

Land, buildings, and equipment are recorded at cost, or if acquired by gift, at fair value at the date of the gift. GASB 34 guidance concerning preparing initial estimates for historical cost and accumulated depreciation related to infrastructure was followed. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

In accordance with the state capitalization policy, all land, intangible assets, and software with a unit cost of \$1,000,000 or more, buildings and infrastructure improvements with a unit cost of \$100,000 or more, library collections with a total cost of \$5,000 or more and all other assets with a unit cost of \$5,000 or more purchased before October 1st, 2024 are capitalized. After October 1st, 2024, the capitalization threshold was modified to \$10,000 to align with new federal guidelines and Washington State Office of Financial Management policy. This change in capitalization threshold did not require any restatement and is prospective only. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as defined by the State of Washington's Office of Financial Management. Useful lives are generally 3 to 7 years for equipment; 15 to 50 years for buildings and 20 to 50 years for infrastructure and land improvements.

The College is a lessee for various noncancelable leases of equipment. For leases, the College recognizes a lease liability and a right-to-use asset. Right-to-use lease assets are recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any incentives received from the lessor at/or before the commencement of the lease, plus initial direct cost that are ancillary to place the asset into service. Right-to-use lease assets are amortized on the straight-line basis over the shorter of the lease term or the useful life of the underlying 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, 2025, no assets had been written down.

### Unearned Revenues

Unearned revenues occur when funds have been collected prior to the end of the fiscal year but are related to the subsequent fiscal year. Unearned revenues also include tuition and fees paid with financial aid funds. The College has recorded summer and fall quarter 2025 tuition and fees as unearned revenues.

### Tax Exemption

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

## Note 1. Summary of Significant Accounting Policies (Continued)

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

### Pension Liability

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

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

### Other Post-Employment Benefits Liability

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

### Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

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

## Note 1. Summary of Significant Accounting Policies (Continued)

### 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 and right-to-use lease liabilities related to those capital assets.
- *Restricted for Expendable.* These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.
- *Unrestricted.* These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

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

### Classification of Revenues and Expenses

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

- *Operating Revenues.* This includes activities that are directly related to the principal operations of the College, such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts that primarily support the operational/educational activities of the College. Examples include a contract with the Office of the Superintendent of Public Instruction to offer the Running Start program. The College also receives Adult Basic Education grants that support the primary educational mission of the College.
- *Operating Expenses.* Operating expenses include salaries, wages, fringe benefits, utilities, supplies and materials, purchased services, and depreciation.
- *Non-operating Revenues.* This includes activities that are not directly related to the ongoing operations of the College, such as gifts and contributions, state appropriations, investment income and Pell Grants received from the federal government.
- *Non-operating Expenses.* Non-operating expenses include state remittances related to the building and innovation fees collected from students, along with interest incurred on the Certificate of Participation debt and lease liabilities.

### Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell Grants, and other Federal, State, or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2025 were \$12,290,474.

## Note 1. Summary of Significant Accounting Policies (Continued)

### 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 Fees

Tuition collected includes amounts remitted to the Washington State Treasurer’s office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature and is subject to change annually. The fee provides funding for capital construction and projects on a community and technical college system wide basis using a competitive biennial allocation process. Building Fees are required to be remitted on the 35th day of each quarter. The Innovation Fee was established in order to fund the State Board of Community and Technical College’s Strategic Technology Plan. The use of the fund is to maintain the system’s ERP Software. On a regular basis, the College remits the portion of tuition collected for the Building and Innovation Fees to the State Treasurer for allocation to the community and technical college system. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the Statement of Revenues, Expenses and Changes in Net Position.

## Note 2. Accounting and Reporting Changes

In June 2022, the GASB issued Statement No. 101, Compensated Absences, effective FY 2025. It updates requirements for measuring liability for (1) leave that has not been used, and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. It also establishes guidance for measuring a liability for leave that has not been used.

In FY 2025 the College implemented GASB Statement No. 101. As a result of this implementation, the College has restated the beginning net position to recognize the liability for accrued leave for the prior year. The effect of the implementation on the financial statement is as follows:

Net Position	June 30, 2025
Net position, beginning of year	126,711,032
Change in accounting principle	(400,009)
Net position, beginning of year, as restated	126,311,023
<b>Net position, end of year</b>	<b>\$149,811,260</b>

In December 2023, the GASB issued 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.

In FY 2025, the College changed the methodology for calculating Scholarship Discounts and Allowances. Prior to FY 2025, the College calculated Discounts and Allowances using the estimating method endorsed by the National Association of College and University Business Officers (NACUBO). As of FY 2025, NACUBO is no longer endorsing this method because more accurate data is available directly from College’s Enterprise

Resource Planning (ERP) systems. With the implementation of the Washington Community and Technical Colleges' ERP system, the College now reports scholarship discounts and allowances to tuition and fees using transactional data from student accounts, which results in more accurate reporting on the financial statements. This change affects the Tuition and Fees revenue and Scholarship expense lines on the Statement of Expenses, Revenues and Changes in Net Position.

### Accounting Standards Impacting the Future

In April 2024, the GASB issued 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 RSI. The College has not determined the full impact of this statement.

In September 2024, GASB issued Statement No. 104, Disclosure of Certain Capital Assets, which was issued to provide essential information about certain types of capital assets. This requires capital assets be disclosed separately by class in capital asset note disclosures and additional disclosures of assets held for sale. The College will implement this statement as required.

In December 2025, GASB issued Statement No. 105, Subsequent Events, which was issued to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This GASB is effective for fiscal years beginning after June 15, 2026. The College will implement this statement as required.

## Note 3. Deposits and Investments

### Deposits

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

### Investments in Local Government Investment Pool (LGIP)

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

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized costs. 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>.

## Note 3. Deposits and Investments (Continued)

As of June 30, 2025, the carrying amount of the College's cash and cash equivalents was \$25,369,440 as represented in the table below:

Cash and Cash Equivalents	June 30, 2025
Petty cash and change funds	\$8,950
Bank demand deposits	14,365,225
Local government investment pool	10,995,265
<b>Total Cash and Cash Equivalents</b>	<b>\$25,369,440</b>
Restricted cash-held for financial aid	\$741,133
Unrestricted cash	24,628,307
<b>Total Cash and Cash Equivalents</b>	<b>\$25,369,440</b>

### Custodial Credit Risks—Deposits

Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure, the College's deposits may not be returned to it. All of the College's demand deposits are with Key Bank, N.A. All cash and equivalents, except for change funds and petty cash held by the College, are insured by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the Washington Public Deposit Protection Commission (PDPC).

### Investments

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

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

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

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

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

Bonds held by the College are obligations of United States Government sponsored enterprises and are classified as Level 1 in the fair value hierarchy. As of June 30, 2025, the fair value of investments was \$7,006,765.

### Investment Maturities (in Years)

Investment Type	Fair Value	<1	1 to 5	6 to 10	>10
U.S. Agency Bonds	\$5,916,013	\$3,460,280	\$2,455,733	\$ -	\$ -
USTreasury	1,090,752		1,090,752		
<b>Total Investments</b>	<b>\$7,006,765</b>	<b>\$3,460,280</b>	<b>\$3,546,485</b>	<b>\$ -</b>	<b>\$ -</b>

### Note 3. Deposits and Investments (Continued)

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

#### Interest Rate Risk—Investments

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

#### Concentration of Credit Risk—Investments

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

Investments are listed by issuer in the table below. Government sponsored enterprises (GSE's), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Farmer MAC, Federal Home Loan Mortgage Corp (FHLMC), Federal National Mortgage Association (FNMA) all issue agency bonds. Each of these agencies has a credit rating of AA+ that represents an excellent degree of credit worthiness.

Issuer	Fair Value	Rating
FFCB	1,482,900	AA+
FHLMC	997,630	AA+
FHLB	2,455,733	AA+
FMAC	979,750	AA+
USTreasury Bond	1,090,752	AA+
Total Investments	\$7,006,765	

#### 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, 2025, the College's investments held by U.S. Bank are in the College's name and are therefore not exposed to custodial credit risk.

#### Investment Expenses

Investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2025 were \$1,918.

### Note 4. Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. It also includes amounts due from federal, state, and local governments or private sources in connection with reimbursements of allowable expenses made according to sponsored agreements. At June 30, 2025, accounts receivable were as follows:

## Note 4. Accounts Receivable (Continued)

Accounts Receivable	June 30, 2025
Student tuition and fees	\$15,903,382
Due from the Federal government	1,531,468
Due from Office of the State Treasurer	6,204,685
Due from other state agencies	1,744,791
Subtotal	25,384,326
Allowance for uncollectable accounts	(2,300,000)
<b>Accounts Receivable, net</b>	<b>\$23,084,326</b>

## Note 5. Inventories

Inventories as of June 30, 2025, were as follows:

Inventories	Method	June 30, 2025
Bookstore Merchandise Inventories	FIFO	<b>\$454,932</b>

## Note 6. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2025, is presented as follows. The current year depreciation expense was \$4,360,440.

	June 30, 2024	Additions	Transfers	Deletions	June 30, 2025
<b>Non-depreciable Capital Assets</b>					
Land	\$1,450,071	\$ -	\$ -	\$ -	\$1,450,071
Construction in progress	22,175,201	2,233,104	(22,080,120)	(95,081)	2,233,104
<b>Total non-depreciable assets</b>	<b>23,625,272</b>	<b>2,233,104</b>	<b>(22,080,120)</b>	<b>(95,081)</b>	<b>3,683,175</b>
<b>Depreciable Capital Assets</b>					
Buildings	140,509,729	22,037,164	21,995,868	(546,328)	183,996,433
Improvements other than buildings	10,048,290	1,271,908	84,252	(1)	11,404,521
Furniture, fixtures, and equipment	10,735,628	754,753	-	(551,251)	10,939,130
Library resources	3,064,435	36,990	-	-	3,101,425
Right-to-use leased assets-equipment	502,515	-	-	(86,848)	415,667
<b>Total depreciable assets</b>	<b>164,860,597</b>	<b>24,100,887</b>	<b>22,080,120</b>	<b>(1,184,428)</b>	<b>209,857,176</b>
<b>Accumulated Depreciation</b>					
Buildings	48,906,569	3,094,530	-	(316,974)	51,684,125
Improvements other than buildings	5,546,077	464,918	-	(1)	6,010,994
Furniture, fixtures, and equipment	8,087,149	683,359	-	(489,404)	8,281,104
Library resources	2,947,042	28,710	-	-	2,975,752
Right-to-use leased assets-equipment	319,682	88,923	-	(86,848)	321,757
<b>Total accumulated depreciation</b>	<b>65,806,518</b>	<b>4,360,440</b>	<b>-</b>	<b>(893,227)</b>	<b>69,273,732</b>
<b>Depreciable Capital Assets, net</b>	<b>99,054,078</b>	<b>19,740,447</b>	<b>22,080,120</b>	<b>(291,201)</b>	<b>140,583,444</b>
<b>Total capital assets, net of depreciation</b>	<b>\$122,679,350</b>	<b>\$21,973,551</b>	<b>-</b>	<b>(386,282)</b>	<b>\$144,266,619</b>

## Note 7. Accounts Payable and Accrued Liabilities

Accrued liabilities as of June 30, 2025, were as follows:

Accounts Payable and Accrued Liabilities	June 30, 2025
Amounts owed to employees	\$1,313,580
Accounts payable	3,165,009
<b>Total</b>	<b>\$4,478,589</b>

## Note 8. Unearned Revenue

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

Unearned Revenue	June 30, 2025
Summer and Fall 2025 Tuition and Fees	\$9,894,124

## Note 9. Risk Management

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

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

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

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The College finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2024 through June 30, 2025 were \$235,070.

## Note 10. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when earned. The sick leave liability is recorded as an actuarial estimate of one-fourth

## Note 10. Compensated Absences (Continued)

of the total balance on the payroll records. With the implementation of GASB 101, compensated absence types were expanded to include compensatory time and personal holiday per OFM guidance. The accrued leave balances at June 30, 2025, by leave type are as follows:

Vacation Leave	\$2,775,982
Sick Leave	2,707,667
Personal Holiday	65,690
Compensatory Time	1,086
<b>Total</b>	<b>\$5,550,425</b>

## Note 11. Leases Payable

### Right-to-Use Lease Liabilities

The College leases office equipment from various external entities. The lease liabilities are reported at net present value using the State of Washington's incremental borrowing rate unless otherwise noted in the contract term. These leases expire in various years through 2027.

As of June 30, 2025, the minimum lease payments under right-to-use leases consist of the following:

As of June 30,	Principal	Interest	Total
2026	84,209	391	84,600
2027	10,954	13	10,967
Total minimum lease payments	\$95,163	\$404	\$95,567

## Note 12. Notes Payable

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

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

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

## Note 12. Notes Payable (Continued)

Fiscal Year	Childcare Center		Health and Wellness Center		Total
	Principal	Interest	Principal	Interest	Principal
2026	\$135,000	\$17,950	\$480,000	\$214,044	\$615,000
2027	140,000	11,200	505,000	194,469	645,000
2028	140,000	4,200	515,000	178,847	655,000
2029	-	-	535,000	162,106	535,000
2030	-	-	550,000	144,131	550,000
2031-2036	-	-	3,735,000	425,038	3,735,000
<b>Total</b>	<b>415,000</b>	<b>33,350</b>	<b>6,320,000</b>	<b>1,318,635</b>	<b>6,735,000</b>
Unamortized Premium	41,667	-	-	-	41,667
<b>Subtotal</b>	<b>456,667</b>	<b>33,350</b>	<b>6,320,000</b>	<b>1,318,635</b>	<b>6,776,667</b>
Less Current Portion	(135,000)	-	(480,000)	-	(615,000)
<b>Total, net</b>	<b>\$321,667</b>	<b>\$33,350</b>	<b>\$5,840,000</b>	<b>\$1,318,635</b>	<b>\$6,161,667</b>

## Note 13. Annual Debt Service Requirements

Future debt service requirements at June 30, 2025 are as follows:

Fiscal Year	Certificates of Participation		
	Principal	Interest	Total
2026	\$615,000	\$231,994	\$846,994
2027	645,000	205,669	850,669
2028	655,000	183,047	838,047
2029	535,000	162,106	697,106
2030	550,000	144,131	694,131
2031-2036	3,735,000	425,038	4,160,038
<b>Total</b>	<b>\$6,735,000</b>	<b>\$1,351,985</b>	<b>\$8,086,985</b>

Interest expense for these Certificates of Participation totaled \$261,869 for FY 2025.

## Note 14. Schedule of Long-Term Liabilities

	June 30, 2024	Additions	Reductions	June 30, 2025	Current Portion
Certificates of participation	\$7,392,214	\$ -	\$615,547	\$6,776,667	\$615,000
Compensated absences	4,981,946	568,479	-	5,550,425	2,018,797
Net pension liability	1,962,877	-	377,528	1,585,349	-
Pension liability	1,917,437	-	587,634	1,329,803	127,210
OPEB liability	16,851,497	112,857	-	16,964,354	446,859
Lease liability	184,677	-	89,514	95,163	84,209
<b>Total</b>	<b>\$33,290,648</b>	<b>\$681,336</b>	<b>\$1,670,223</b>	<b>\$32,301,761</b>	<b>\$3,292,075</b>

## Note 15. Retirement Plans

### A. General

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

### Basis of Accounting

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

In accordance with Statement No. 68, the College has elected to use the prior fiscal year end as the measurement date for reporting net pension assets (liabilities).

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for Tacoma Community College, for fiscal year 2025:

Aggregate Pension Amounts – All Pension Plans	
Pension liabilities	\$ (100,341)
Deferred outflows of resources related to pensions	\$ 7,113,577
Deferred inflows of resources related to pensions	\$(3,988,709)
Pension expense	\$ 1,963,708

### 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

## Note 15. Retirement Plans (Continued)

- 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 0.2 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 [DRS Annual Comprehensive Financial Report ACFR](#).

### Higher Education

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

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

#### PERS

##### Plan Description

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

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

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

## Note 15. Retirement Plans (Continued)

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

### Benefits Provided

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

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

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

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

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

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

### Contributions

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

## TRS

### Plan Description

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

## Note 15. Retirement Plans (Continued)

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

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

### Benefits Provided

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

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

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

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

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

### Contributions

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

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

## Note 15. Retirement Plans (Continued)

The employer contribution rates (expressed as a percentage of covered payroll) and actual contributions for the year ended June 30, 2025, were as follows:

	PERS 1	PERS 2/3	TRS 1	TRS 2/3
Contribution rate at close of FY 2025	9.11%	9.11%	9.86%	9.86%
Annual contributions	\$369,849	\$927,019	\$65,542	\$333,101

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

### Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2023, with the results rolled forward to the June 30, 2024, 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 on 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, 2023, valuation were based on the results of the 2013-2018 Demographic Study Report and the 2023 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, 2024, are summarized in the following table:

## Note 15. Retirement Plans (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	19.0%	2.1%
Tangible assets	8.0%	4.5%
Real estate	18.0%	4.8%
Global equity	30.0%	5.6%
Private equity	25.0%	8.6%
<b>Total</b>	<b>100%</b>	

The inflation component used to create the above table is 2.50 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 total 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 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
PERS 1	\$1,723,516	\$1,171,683	\$687,712
PERS 2/3	5,074,236	(2,814,812)	(9,293,922)
TRS 1	518,220	334,720	173,378
PERS 2/3	1,844,834	78,946	(1,355,962)

### Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

#### Pension Liabilities (Assets)

At June 30, 2025, the College reported a net pension asset of \$(1,229,464) for its proportionate share of the net pension liabilities as follows:

## Note 15. Retirement Plans (Continued)

Pension Plan	Total
PERS 1	\$1,171,683
PERS 2/3	(2,814,812)
TRS 1	334,719
TRS 2/3	78,946

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

Pension Plan	2023	2024	Change
PERS 1	0.065900%	0.065942%	0.000042%
PERS 2/3	0.084996%	0.085386%	0.000390%
TRS 1	0.036206%	0.030174%	-0.006032%
TRS 2/3	0.035972%	0.039396%	0.003424%

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, 2025, the College recognized pension expense as follows:

Pension Plan	Pension Expense
PERS 1	\$(18,721)
PERS 2/3	(171,254)
TRS 1	(97,993)
TRS 2/3	168,284
Total	\$(119,234)

### Deferred Outflows of Resources and Deferred Inflows of Resources

The following table represents the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2025:

**Note 15. Retirement Plans (Continued)**

Pension Plan	PERS 1		PERS 2/3		TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-	1,599,436	6,517	-	-	539,854	5,843
Difference between expected and actual earnings of pension plan investments	-	93,755	-	806,645	-	31,523	-	146,981
Changes of assumptions	-	-	1,554,344	178,346	-	-	402,966	28,686
Changes in the College's proportionate share of pension liabilities	-	-	22,839	165,252	-	-	19,823	97,814
Contributions subsequent to the measurement date	369,850	-	927,019	-	65,543	-	333,102	-
<b>Totals</b>	<b>\$369,850</b>	<b>\$93,755</b>	<b>\$4,103,638</b>	<b>\$1,156,760</b>	<b>\$65,543</b>	<b>\$31,523</b>	<b>\$1,295,745</b>	<b>\$279,324</b>

The \$1,695,514 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2026.

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

Fiscal Year	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2026	\$(155,158)	\$(660,004)	\$(52,591)	\$(86,896)
2027	79,713	1,202,271	27,521	239,720
2028	(8,440)	507,421	(2,738)	102,188
2029	(9,870)	512,869	(3,715)	99,759
2030	-	239,941	-	107,576
Thereafter	-	217,362	-	220,971
<b>Total</b>	<b>\$(93,755)</b>	<b>\$2,019,860</b>	<b>\$(31,523)</b>	<b>\$683,318</b>

**C. College Participation in Plan Administered by the State Board for Community and Technical Colleges State Board Retirement Plan (SBRP) – Supplemental Defined Benefits Plans**Plan Description

The State Board Retirement Plan is a privately administered single employer defined contribution plan with a supplemental defined benefit plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. The College participates in this plan as authorized by RCW chapter 28B.10 and reports its proportionate share of the net pension liability. House Bill 1661, effective fiscal year 2021, created separate Supplemental Retirement Plan (SRP) funds by institution that met the definition of a trust or equivalent arrangement. As a result, this is the first year these plans will be reported under GASB Statement No. 67/68. Prior to this, the SRP was reported under GASB Statement No. 73. As of June 30, 2024, this plan is being reported with 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.

## Note 15. Retirement Plans (Continued)

### Contributions

Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2025, were \$1,917,451 and \$1,952,035, respectively.

### Benefits Provided

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

### Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2023, with the results rolled forward to the June 30, 2024, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

The total salary growth, based on the August 2021 Higher Education SRP Experience Study was 3.5% for the community and technical college system.

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.

## Note 15. Retirement Plans (Continued)

### Discount Rate

The discount rate used to measure the total pension liability was based on the 2021 Economic experience study for the Washington State retirement plans and based on the results of the GASB 67/68 required crossover test, or 7.0 percent for the June 30, 2024, measurement date.

### Pension Expense

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

Pension expense for the fiscal year ending June 30, 2025, was (\$185,458).

### Plan Membership

Membership in the State Board Supplemental Retirement Plan consisted of the following as of January 1, 2024, the most recent full actuarial valuation date.

Inactive members (or beneficiaries) currently receiving benefits	3
Inactive members entitled to but not yet receiving benefits	1
Active members	<u>155</u>
<b>Total members</b>	<b>159</b>

### **Net Pension Liability**

The following table presents the change in total pension liability of the State Board Supplemental Retirement Plan at June 30, 2024:

<b>Development of Net Pension Liability</b>	<b>June 30, 2024</b>
<b>Total Pension Liability</b>	
Service cost	\$66,525
Interest	227,993
Differences between expected and actual experience	(648,030)
Changes in assumptions	-
Benefit payments	(130,867)
Change in proportionate share of NPL	57,665
Net change in total pension liability	(426,713)
<b>Total pension liability, beginning</b>	<b>3,197,182</b>
<b>Total pension liability, ending</b>	<b>\$2,770,468</b>
<b>Plan Fiduciary Net Pension</b>	
Contributions-Employer	\$32,361
Net Investment Income	105,491
Change in Proportionate Share of Plan Assets	23,082
Net Change in Plan Fiduciary Net Position	160,934
<b>Net Fiduciary Net Position-Beginning</b>	<b>1,279,731</b>
<b>Plan Fiduciary Net Position-Ending</b>	<b>1,440,665</b>
<b>Plan's Net Pension Liability</b>	<b>\$1,329,803</b>

## Note 15. Retirement Plans (Continued)

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

The following table presents the total pension liability, calculated using the discount rate of 7.00 percent, as well as what the employers' total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Discount rate	6.00%	7.00%	8.00%
Total pension liability	\$1,619,717	\$1,329,803	\$1,080,207

### Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2025, the State Board Supplemental Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$572,245	\$1,189,754
Changes of assumptions	439,932	1,129,403
Changes in the College's proportionate share of pension liability	212,054	85,045
Differences between projected and actual earnings on plan investments	-	23,146
Contributions subsequent to measurement date	54,571	-
<b>Total</b>	<b>\$1,278,802</b>	<b>\$2,427,348</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30:

Fiscal Year	SBRP
2026	\$(299,097)
2027	(272,507)
2028	(443,016)
2029	(46,942)
2030	(141,557)
Thereafter	-
<b>Total</b>	<b>\$(1,203,119)</b>

## Note 16. Other Post-Employment Benefits

### Plan Description

Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits, and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

## Note 16. Other Post-Employment Benefits (Continued)

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 this substantive plan will be carried into the future.

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

### Employees Covered by Benefit Terms

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. Retiree's 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	June 30, 2024
Active employees*	552
Retirees receiving benefits**	153
Retirees not receiving benefits***	-
Total active employees and retirees	705

\*Reflects active employees eligible for PEBB program participation as of June 30, 2024.

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

\*\*\*HCA doesn't have a data on this group and OSA doesn't have the methodology to reasonably estimate it. For FY 2024 this data is 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 2025, the explicit subsidy was \$183 per member per month, and it will remain \$183 per member per month in calendar year 2026.

## Note 16. Other Post-Employment Benefits (Continued)

### Contribution Information

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

Required Premium*	June 30, 2025
Medical	\$1,305
Dental	81
Life	4
Long-term disability	2
<b>Total</b>	<b>1,392</b>
Employer contribution	1,204
Employee contribution	<u>188</u>
<b>Total</b>	<b>\$1,392</b>

\*Per 2025 PEBB Financial Projection Model version 3.1. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on calendar year 2024 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: [OPEB Valuations](#)

### Total OPEB Liability

As of June 30, 2025, the state reported a total OPEB liability of \$4.376 billion. The College's proportionate share of the total OPEB liability is \$16,964,354. This liability was determined based on a measurement date of June 30, 2024.

### 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	2.4%
Projected salary changes	3.25% plus service-based salary increases
Health care trend rates*	Initial trend rate ranges from (4.5)-9.5%, 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 2024 Public Employees' Benefits Board Other Postemployment Benefits Actuarial Valuations Report.

## Note 16. Other Post-Employment Benefits (Continued)

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

Mortality rates were developed using the Society of Actuaries Pub. H-2010 mortality rates which vary by member status (e.g., active, retiree or survivor) as the base table. The Office of the State Actuary applied 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 received 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	6/30/2024
Actuarial measurement date	6/30/2024
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 State, Higher Education, K-12 and Political Subdivision Groups
Implicit Medicare Subsidy	Subsidy amounts 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 than 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).

The retiree subsidy rate of \$66.50 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.

## Note 16. Other Post-Employment Benefits (Continued)

### 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 3.65 percent for the June 30, 2023 measurement date and 3.93 percent for the June 30, 2024 measurement date. Additional detail on assumptions and methods can be found on OSA's website:

<https://leg.wa.gov/about-the-legislature/legislative-agencies/osa/>

### Changes in Total OPEB Liability

As of June 30, 2025, components of the calculation of total OPEB liability determined in accordance with GASB Statement No. 75 for the College are represented in the following table.

Proportionate Share: 0.3876703959%	June 30, 2025
Service cost	\$550,408
Interest cost	631,309
Differences between expected and actual	323,024
Changes in assumptions	(1,440,985)
Changes of benefit terms	370,449
Benefit payments	(427,309)
Changes in proportionate share	105,962
Net change in total OPEB liability	112,858
Total beginning OPEB liability	16,851,497
Total ending OPEB liability	\$16,964,355

### 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 3.93 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.93 percent) or 1 percentage point higher (4.93 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Discount rate	2.93%	3.93%	4.93%
Total OPEB liability	\$19,958,452	\$16,964,355	\$14,573,706

### 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 (4.5)-9.5 percent reaching an ultimate range of 3.8 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower ((3.5)-8.5 percent) or 1 percentage point higher ((5.5)-10.5 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB liability	\$14,310,791	\$16,964,355	\$20,386,261

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

For the year ending June 30, 2025, the College will recognize OPEB expense of \$(787,068). OPEB expense consists of the following elements:

**Note 16. Other Post-Employment Benefits (Continued)**

<b>Proportionate Share: 0.3876703959%</b>	<b>June 30, 2025</b>
Service cost	\$550,408
Interest cost	631,309
Amortization of differences between expected and actual experience	45,820
Amortization of changes in assumptions	(1,978,844)
Changes in benefit terms	370,449
Amortization of changes in proportion	(406,210)
<b>Total OPEB Expense</b>	<b>\$(787,068)</b>

As of June 30, 2025, the deferred inflows, and deferred outflows of resources for the College are as follows:

<b>Proportionate Share: 0.3876703959%</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Difference between expected and actual experience	\$427,669	\$458,795
Changes in assumptions	9,374,140	853,962
Transactions subsequent to the measurement date	-	446,859
Changes in proportion	2,617,721	1,023,887
<b>Total</b>	<b>\$12,419,530</b>	<b>\$2,783,503</b>

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:

<b>Fiscal Year</b>	<b>Proportionate Share: 0.3876703959%</b>
2026	(2,339,232)
2027	(1,924,156)
2028	(1,429,825)
2029	(1,553,165)
2030	(1,377,129)
Thereafter	\$(1,459,379)

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

## Note 16. Other Post-Employment Benefits (Continued)

<b>Proportionate Share 2023</b>	<b>0.3852479663%</b>
<b>Proportionate Share 2024</b>	<b>0.3876703959%</b>
Ending total OPEB liability 2023	\$16,851,497
Beginning total OPEB liability 2024 (change in prop)	16,957,459
Change in OPEB liability proportion	105,962
Total deferred inflows/outflows 2023	(8,821,338)
Total deferred inflows/outflows 2024	(8,876,806)
Change in total deferred inflows/outflows proportion	(55,468)
Total Change in Proportion	\$161,430

## Note 17. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, research, academic support, and student services. The following table lists operating expenses by program for the year ending June 30, 2025.

<b>Expenses by Functional Classification</b>	
Instruction	\$36,931,823
Student services	14,700,875
Institutional support	12,031,666
Operation and maintenance	11,984,985
Scholarships, fellowships, and other aid	11,414,818
Academic support services	8,848,038
Auxiliary enterprises	4,927,851
Total operating expenses	\$100,840,056

### Instruction

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

### Scholarship, Fellowship and Other Aid

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

### Institutional Support

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

## **Note 17. Operating Expenses by Program (Continued)**

### Student Services

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

### Operation and Maintenance

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

### Auxiliary Enterprises

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

### Academic Support

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

## **Note 18. Commitments and Contingencies**

The College has commitments of \$8,963,332 for various capital improvement projects that include construction of the Center for Innovative Learning and Engagement building and renovations of existing buildings.

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

## **Note 19. Discretely Presented Component Unit**

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

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

During the year ended June 30, 2025, the College received \$232,393 from the Foundation.

In accordance with the agreement between the Foundation and Tacoma Community College, the College provides the Foundation with office space including utilities, office furniture and equipment, and office materials and supplies. The College also pays the salaries of the Foundation's executive director and staff. The value of these contributions is recognized in the Foundation's financial statements at their estimated fair value. For the year ended June 30, 2025, the Foundation recorded an in-kind donation of \$317,817.



# Required Supplementary Information

## SHARE OF NET PENSION LIABILITY

### Public Employees' Retirement System (PERS) Plan 1

*Measurement Date of June 30\**

Fiscal Year	College's proportion of the net pension liability	College's proportionate share of net pension liability	College's covered payroll	College's proportionate share of net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.070262%	\$3,675,357	\$7,817,054	47.02%	59.10%
2016	0.067166%	\$3,607,131	\$7,809,288	46.19%	57.03%
2017	0.074105%	\$3,516,340	\$9,206,205	38.20%	61.24%
2018	0.069920%	\$3,122,651	\$9,579,278	32.60%	63.22%
2019	0.068207%	\$2,622,801	\$9,705,662	27.02%	67.12%
2020	0.068238%	\$2,409,170	\$9,996,090	24.10%	68.64%
2021	0.064727%	\$790,469	\$10,242,723	7.72%	88.74%
2022	0.062113%	\$1,729,454	\$11,948,651	14.47%	76.56%
2023	0.065900%	\$1,504,321	\$13,292,591	11.32%	80.16%
2024	0.065942%	\$1,171,683	\$14,686,848	7.98%	84.05%

## SHARE OF NET PENSION LIABILITY

### Public Employees' Retirement System

#### (PERS) Plan 2/3

*Measurement Date of June 30\**

Fiscal Year	College's proportion of the net pension liability	College's proportionate share of net pension liability	College's covered payroll	College's proportionate share of net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2015	0.085667%	\$3,060,931	\$7,586,581	40.35%	89.20%
2016	0.082762%	\$4,167,001	\$7,669,021	54.34%	85.82%
2017	0.092848%	\$3,226,024	\$9,102,809	35.44%	90.97%
2018	0.089424%	\$1,526,835	\$9,579,278	15.94%	95.77%
2019	0.088048%	\$855,245	\$9,705,662	8.81%	97.77%
2020	0.088880%	\$1,136,725	\$9,996,090	11.37%	97.22%
2021	0.083166%	\$(8,284,671)	\$10,242,723	(80.88)%	120.29%
2022	0.081023%	\$(3,004,965)	\$11,948,651	(25.15)%	106.73%
2023	0.084996%	\$(3,483,716)	\$13,292,591	(26.21)%	107.02%
2024	0.085386%	\$(2,814,812)	\$14,686,848	(19.17)%	105.17%

# Required Supplementary Information

## SHARE OF NET PENSION LIABILITY

### Teachers' Retirement System

#### (TRS) Plan 1

*Measurement Date of June 30\**

Fiscal Year	College's proportion of the net pension liability	College's proportionate share of net pension liability	College's covered payroll	College's proportionate share of net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2015	0.024741%	\$783,830	\$1,235,803	63.43%	65.70%
2016	0.024300%	\$829,660	\$1,185,409	69.99%	62.07%
2017	0.028158%	\$851,292	\$1,581,621	53.82%	65.58%
2018	0.028249%	\$825,038	\$1,650,570	49.99%	66.52%
2019	0.025395%	\$628,730	\$1,894,198	33.19%	70.37%
2020	0.026173%	\$630,452	\$2,172,123	29.02%	70.55%
2021	0.028960%	\$194,987	\$2,561,871	7.61%	91.42%
2022	0.031313%	\$595,520	\$3,052,697	19.51%	78.24%
2023	0.036206%	\$458,556	\$3,491,965	13.13%	85.09%
2024	0.030174%	\$334,720	\$4,129,719	8.11%	86.53%

## SHARE OF NET PENSION LIABILITY

### Teachers' Retirement System

#### (TRS) Plan 2/3

*Measurement Date of June 30\**

Fiscal Year	College's proportion of the net pension liability	College's proportionate share of net pension liability	College's covered payroll	College's proportionate share of net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2015	0.026239%	\$221,405	\$1,216,928	18.19%	92.48%
2016	0.024739%	\$339,740	\$1,201,607	28.27%	88.72%
2017	0.028846%	\$266,232	\$1,581,622	16.83%	93.14%
2018	0.028752%	\$129,417	\$1,713,212	7.55%	96.88%
2019	0.025582%	\$154,140	\$1,894,198	8.14%	96.31%
2020	0.026652%	\$409,370	\$2,172,123	18.85%	91.72%
2021	0.029025%	\$(797,841)	\$2,561,871	(31.14)%	113.72%
2022	0.032110%	\$(63,188)	\$3,052,697	(2.07)%	100.86%
2023	0.035972%	\$(44,179)	\$3,491,965	(1.27)%	100.49%
2024	0.039396%	\$78,946	\$4,129,719	1.91%	99.27%

# Required Supplementary Information

## SCHEDULE OF CONTRIBUTIONS Public Employees' Retirement System (PERS) 1

*Fiscal Year Ended June 30\**

Fiscal Year	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency/ (excess)	Covered payroll	Contributions as a percentage of covered payroll
2016	\$380,894	\$380,894	-	\$7,809,288	4.88%
2017	\$445,761	\$445,761	-	\$9,206,205	4.84%
2018	\$467,361	\$467,361	-	\$9,270,866	5.04%
2019	\$489,844	\$489,844	-	\$9,579,278	5.11%
2020	\$493,555	\$493,555	-	\$9,705,662	5.09%
2021	\$482,036	\$482,036	-	\$9,996,090	4.82%
2022	\$380,670	\$380,670	-	\$10,242,723	3.72%
2023	\$454,312	\$454,312	-	\$11,948,651	3.80%
2024	\$390,306	\$390,306	-	\$13,292,591	2.94%
2025	\$369,849	\$369,849	-	\$14,686,848	2.52%

SCHEDULE OF CONTRIBUTIONS

**Public Employees' Retirement System**

**(PERS) 2/3**

*Fiscal Year Ended June 30\**

Fiscal Year	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency/ (excess)	Covered payroll	Contributions as a percentage of covered payroll
2016	\$477,780	\$477,780	-	\$7,669,021	6.23%
2017	\$567,105	\$567,105	-	\$9,102,809	6.23%
2018	\$690,007	\$690,007	-	\$9,212,377	7.49%
2019	\$719,800	\$719,800	-	\$9,579,278	7.51%
2020	\$821,212	\$821,212	-	\$9,705,662	8.46%
2021	\$786,888	\$786,888	-	\$9,996,090	7.87%
2022	\$650,917	\$650,917	-	\$10,242,723	6.35%
2023	\$754,984	\$754,984	-	\$11,948,651	6.32%
2024	\$841,237	\$841,237	-	\$13,292,591	6.33%
2025	\$927,019	\$927,019	-	\$14,686,848	6.31%

# Required Supplementary Information

## SCHEDULE OF CONTRIBUTIONS Teachers' Retirement System (TRS) 1

*Fiscal Year Ended June 30\**

Fiscal Year	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency/ (excess)	Covered payroll	Contributions as a percentage of covered payroll
2016	\$73,851	\$73,851	-	\$1,185,409	6.23%
2017	\$98,535	\$98,535	-	\$1,581,621	6.23%
2018	\$117,486	\$117,486	-	\$1,634,019	7.19%
2019	\$126,786	\$126,786	-	\$1,650,570	7.68%
2020	\$137,486	\$137,486	-	\$1,894,198	7.26%
2021	\$160,394	\$160,394	-	\$2,172,123	7.38%
2022	\$160,680	\$160,680	-	\$2,561,871	6.27%
2023	\$193,480	\$193,480	-	\$3,052,697	6.34%
2024	\$60,703	\$60,703	-	\$3,491,965	1.74%
2025	\$65,542	\$65,542	-	\$4,129,719	1.59%

SCHEDULE OF CONTRIBUTIONS  
**Teachers' Retirement System**  
**(TRS) 2/3**

*Fiscal Year Ended June 30\**

Fiscal Year	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency/ (excess)	Covered payroll	Contributions as a percentage of covered payroll
2016	\$80,748	\$80,748	-	\$1,201,607	6.72%
2017	\$106,285	\$106,285	-	\$1,581,622	6.72%
2018	\$130,556	\$130,556	-	\$1,667,382	7.83%
2019	\$129,143	\$129,143	-	\$1,713,212	7.54%
2020	\$155,325	\$155,325	-	\$1,894,198	8.20%
2021	\$176,899	\$176,899	-	\$2,172,123	8.14%
2022	\$205,380	\$205,380	-	\$2,561,871	8.02%
2023	\$240,840	\$240,840	-	\$3,052,697	7.89%
2024	\$280,510	\$280,510	-	<b>\$3,491,965</b>	8.03%
2025	\$333,101	\$333,101	-	\$4,129,719	8.07%

# Required Supplementary Information

## SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS State Board Supplemental Defined Benefit Plans

*Fiscal Year Ended June 30\**

Fiscal Year	2017	2018	2019	2020	2021	2022	2023	2024	2025
Service cost	\$186,386	\$128,214	\$98,167	\$114,813	\$155,371	\$51,999	\$69,853	\$69,853	\$66,525
Interest	120,908	117,828	118,743	129,151	110,509	175,181	252,203	252,203	227,993
Differences between expected and actual experience	(871,751)	(348,492)	223,873	272,124	(997,044)	774,152	(202,701)	(202,701)	(648,030)
Changes of assumptions	(205,757)	(117,895)	420,943	727,108	(1,799,474)	251,472	(401,400)	(401,400)	-
Benefit payments	(31,036)	(43,553)	(62,601)	(58,292)	(66,246)	(104,032)	(105,860)	(105,860)	(130,867)
Change in proportionate share	-	(86,038)	80,612	(196,129)	88,800	45,377	46,992	69,652	57,665
Other	-	-	-	-	-	17	22,667	-	-
<b>Net change in total pension liability</b>	<b>(801,250)</b>	<b>(349,936)</b>	<b>879,737</b>	<b>988,775</b>	<b>(2,508,084)</b>	<b>1,194,166</b>	<b>(318,246)</b>	<b>(318,253)</b>	<b>(426,713)</b>
<b>Total pension liability - beginning</b>	<b>4,071,693</b>	<b>3,270,443</b>	<b>2,920,507</b>	<b>3,800,244</b>	<b>4,789,019</b>	<b>2,280,935</b>	<b>3,515,428</b>	<b>3,515,434</b>	<b>3,197,182</b>
<b>Total pension liability - ending (a)</b>	<b>\$3,270,443</b>	<b>\$2,920,507</b>	<b>\$3,800,244</b>	<b>\$4,789,019</b>	<b>\$2,280,935</b>	<b>\$3,475,101</b>	<b>\$3,197,182</b>	<b>\$3,197,181</b>	<b>2,770,468</b>
<b>Plan Fiduciary Net Position</b>									
Contributions-Employer	N/A	N/A	N/A	N/A	\$21,816	\$ 28,743	\$30,342	\$30,342	\$32,361
Contributions-Member	N/A	N/A	N/A	N/A	273,064	-	-	-	-
Net Investment Income					-	1,760	83,075	83,075	105,491
Change in Proportionate Share of Plan Assets					-	-	22,659	22,659	23,082
Other					-	40,327	22,664	8	
<b>Net Change in Plan Fiduciary Net Position</b>					<b>294,880</b>	<b>30,503</b>	<b>136,081</b>	<b>136,081</b>	<b>160,934</b>
Plan Fiduciary Net Position-Beginning					777,954	1,072,834	1,143,664	1,143,660	1,279,731
<b>Plan Fiduciary Net Position-Ending (b)</b>					<b>1,072,834</b>	<b>1,103,337</b>	<b>1,279,745</b>	<b>1,279,744</b>	<b>1,440,665</b>
<b>Net pension plan liability - ending (a)-(b)</b>					<b>\$1,208,101</b>	<b>\$2,371,764</b>	<b>\$1,917,437</b>	<b>\$1,917,437</b>	<b>1,329,803</b>
College's proportion of the pension liability	3.441%	3.350%	3.440%	3.270%	3.330%	3.450%	3.518%	3.518%	3.582%
Covered employee payroll	\$19,200,963	\$18,923,508	\$20,323,849	\$20,131,614	\$21,620,350	\$22,587,706	\$23,671,794	\$26,156,568	\$28,520,439
Total pension liability as a percentage of covered employee payroll	17.030%	15.430%	18.700%	23.790%	10.550%	15.380%	13.506%	12.223%	9.714%

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

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

### State Board Supplemental Retirement Plan

Fiscal Year Ended June 30\*

	2021	2022	2023	2024	2025
Statutorily determined contributions	\$28,106	\$29,364	\$30,773	34,004	37,077
Actual contributions in relation to the above	\$27,928	\$29,071	\$30,596	33,804	36,868
Contribution deficiency (excess)	\$(178)	\$(293)	\$(177)	(200)	\$(208)
Covered Payroll	\$21,620,350	\$22,587,706	\$23,671,794	26,156,568	\$28,520,439
Contribution as a % of covered payroll	0.13%	0.13%	0.13%	0.13%	0.13%

*\*These schedules will be built 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.*

**Notes:**

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

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

# Required Supplementary Information

## Schedule of Changes in Total OPEB Liability and Related Ratios

Measurement Date of June 30\*

	2018	2019	2020	2021	2022	2023	2024	2025
Service cost	\$1,728,623	\$1,397,859	\$1,021,966	\$1,020,280	\$1,210,682	\$1,229,295	\$590,360	\$550,408
Interest cost	809,698	961,021	886,497	853,480	523,249	570,377	593,020	631,309
Difference between expected and actual experience	-	877,225	-	(130,788)	-	(564,859)	-	323,024
Changes in assumptions	(3,949,720)	(6,119,624)	1,650,891	553,247	223,560	(9,537,194)	(285,168)	(1,440,985)
Changes in benefit terms	-	-	-	-	-	-	-	370,449
Benefit payments	(412,635)	(405,887)	(405,519)	(406,355)	(398,643)	(419,058)	(413,060)	(427,309)
Changes in proportionate share	(240,857)	149,234	(272,270)	(1,673,304)	(1,922,848)	(1,162,616)	(297,666)	105,962
Other	-	-	-	(869,333)	-	-	-	-
<b>Net changes in total OPEB liability</b>	<b>(2,064,891)</b>	<b>(3,140,172)</b>	<b>2,881,565</b>	<b>(652,773)</b>	<b>(364,000)</b>	<b>(7,558,823)</b>	<b>187,486</b>	<b>112,858</b>
	-							
<b>Total OPEB liability - beginning</b>	<b>27,563,105</b>	<b>25,498,214</b>	<b>22,358,042</b>	<b>25,239,607</b>	<b>24,856,834</b>	<b>24,222,834</b>	<b>16,664,011</b>	<b>16,851,497</b>
<b>Total OPEB liability - ending</b>	<b>\$25,498,214</b>	<b>\$22,358,042</b>	<b>\$25,239,607</b>	<b>\$24,856,834</b>	<b>\$24,222,834</b>	<b>\$16,664,011</b>	<b>\$16,851,497</b>	<b>\$16,964,355</b>
College's proportion of total OPEB liability	0.61%	0.44%	0.44%	0.41%	0.37%	0.39%	0.39%	0.39%
Covered employee payroll	\$30,153,421	\$29,927,821	\$31,606,768	\$33,881,310	\$35,392,300	\$38,673,141	\$42,941,124	\$47,337,006
Total OPEB liability as a percentage of covered employee payroll	84.56%	74.71%	79.86%	73.36%	68.44%	43.09%	39.24%	35.84%

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

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



**Additional  
Auditor's Report**

**In accordance with  
Government Auditing  
Standards**

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

**Independent Auditor's Report**

**To the Board of Trustees  
Tacoma Community College  
Tacoma, Washington**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Tacoma Community College (the College), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated May 6, 2026.

Our report includes a reference to other auditors who audited the financial statements of Tacoma Community College Foundation, as described in our report on the College's financial statements. The financial statements of Tacoma Community College Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with Tacoma Community College Foundation or that are reported on separately by those auditors who audited the financial statements of Tacoma Community College Foundation.

The financial statements of the Tacoma Community College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2025, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Report on Internal Control Over Financial Reporting**

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



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

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

## **Report on Compliance and Other Matters**

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

*Clark Nuber P.S.*

Certified Public Accountants  
May 6, 2026

# Tacoma Community College

*(A component unit of the State of Washington)*

## **AUDITED FINANCIAL STATEMENTS**

For the fiscal year ended June 30, 2025

