Clark College

2015 Annual Financial Report

Fiscal Year Ended June 30, 2015

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Clark College

2015 Financial Report

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Trustees and Executive Officers

Trustees and Officer list effective as of December 31, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

State of Washington
Clark College
July 1, 2014 through June 30, 2015

Board of Trustees
Clark College
Vancouver, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Clark College, Clark County, Washington, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Clark College Foundation, which represents 100 percent, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Clark College Foundation, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Clark College Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of Clark College, as of June 30, 2015, and the 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.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Clark 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. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2015, 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.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2015, the College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

The financial statements include summarized prior-year comparative information for the Clark College Foundation. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2014, from which such partial information was derived. Other auditors have previously audited the Clark College Foundation's 2014 financial statements and they expressed an unmodified opinion in their report dated November 14, 2014.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements as a whole. The information identified in the table of contents as the Trustees and Executive Officers are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Jan M Jutte

JAN M. JUTTE, CPA, CGFM

DEPUTY STATE AUDITOR

OLYMPIA, WA

April 13, 2016

Management's Discussion and Analysis

Clark College

The following discussion and analysis provides an overview of the financial position and activities of Clark College (the College) for the fiscal year ended June 30, 2015 (FY 2015). This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Reporting Entity

Clark 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 13,000 students. The College confers associates degrees, certificates and high school diplomas. The College was established in 1933. Its primary purpose is to provide opportunities for diverse learners to achieve their educational and professional goals, thereby enriching the social, cultural, and economic environment of our region and the global community.

The College's main campus is located in Vancouver, Washington, a community of about 165,000 residents. The College also offers classes at our satellite campuses in east Vancouver at the Columbia Tech Center, in north Vancouver on the campus of Washington State University Vancouver and in the Columbia River Gorge in Bingen, Washington. Economic and Community Development classes are offered in downtown Vancouver at the Columbia Bank Building. The College is currently planning for a new satellite campus in north Clark County and is in the process of building a new Science, Technology, Engineering and Math (STEM) building at its main campus to serve the increased demand for training in these fields. The College is governed by a five member Board of Trustees appointed by the governor with the consent of the state Senate. Currently, the Board has one vacancy due to a resignation in the fall of 2015. The College is awaiting assignment of a new member by the governor. 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 it's discretely presented component unit, the Clark College Foundation. The College's financial statements include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2015. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the College's financial health.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are reported under the accrual basis of accounting where all of the current year's revenues and expenses are 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.

During 2015, the College adopted GASB Statement No. 68, as amended by GASB Statement No. 71. These statements require the College to record its proportionate share of net pension liabilities, deferred outflows and inflows by restating its 2014 net position, pension liabilities and deferral of resources as a change in accounting principle. For the purposes of this analysis, the restatement of the 2014 net position was made to conform to 2015 presentation. The change in accounting principle resulted in a reduction to unrestricted net position in the amount of $13,348,306. This decrease resulted in the restatement of net position to a balance of $100,904,487 for the year ending June 30, 2014.

Statement of Net Position

The Statement of Net Position provides information about the College's financial position, and presents the College's assets, liabilities, and net assets at year-end and includes all assets and liabilities of the College. A condensed Statement of Net Position is as follows:

Condensed Statement of Net Position As of June 30th		FY 2015		FY 2014
Assets				
Current Assets		24,080,628		25,900,019
Capital Assets, net		113,685,426		102,233,786
Total Assets	**$**	**137,766,054**	**$**	**128,133,805**
Deferred Outflows	**$**	**1,544,964**	**$**	**1,367,870**
Liabilities				
Current Liabilities		5,787,454		7,634,793
Other Liabilities, non-current		15,234,341		20,962,395
Total Liabilities	**$**	**21,021,795**	**$**	**28,597,188**
Deferred Inflows	**$**	**4,526,010**	**$**	**-**
Net Position, as restated	**$**	**113,763,213**	**$**	**100,904,487**

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The decrease of current assets in FY 2015 can primarily be attributed to an increase in the allowance for doubtful accounts related to student financial aid repayment debt experience, a decrease in prepaid expenses for the bookstore, and offset by a slight increase in cash and cash equivalents.

Net capital assets increased by $11,451,640 from FY 2014 to FY 2015. After taking into consideration current depreciation expense of $3,692,131, the majority of the increase is the result of the construction in progress of the STEM Building, which is estimated to be completed in spring 2016 and is funded through a state capital appropriation. The College also invested local funds in the amount of $688,699 for fiber optic lines to support the College's information technology infrastructure. In addition to investments made by the College, the land which the STEM Building is being constructed was donated by the Clark College Foundation.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, deposits held for others and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements.

The decrease in current liabilities from FY 2014 to FY 2015 is the result of the College paying off the remaining obligation of the certificate of participation, an increase in accounts payable, a decrease in unearned revenue for summer quarter received prior to the start of the quarter, and a payable recorded to reflect funds due to the federal government for undisbursed direct student loans. In addition, the College estimated, based on a three year average, a portion of vacation and sick leave liability to be accrued as a short term.

Non-current liabilities primarily consist of the amount of vacation and sick leave earned but not yet used by employees and the College's share of the net pension liability.

The College's non-current liabilities increased due to the implementation of GASB Statement No. 68, reflecting the College's proportionate share of the net pension liability. This increase was offset by a decrease in the long term portion of the certificate of participation as the College satisfied the loan commitment in December 2014.

Net position represents the value of the College's assets after liabilities are deducted. The College is required by accounting standards to report its net position in four categories:

> ***Net Investment in Capital Assets –*** The College's total investment in property, plant, equipment, and infrastructure net of accumulated depreciation and outstanding debt obligations related to those capital assets. Changes in these balances are discussed above.
>
> ***Restricted:***
>
> > ***Nonexpendable –*** consists of funds which a donor or external party has imposed the restriction that the corpus or principal is not available for expenditures but for investment purposes only. Historically, donors interested in establishing such funds to benefit the College or its students have chosen to do so through the Foundation. As a result, the College is not reporting any balance in this category.
> >
> > ***Expendable –*** resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The expendable balance for the College is funds held for student loans and institutional financial aid funds per RCW 28B.15.820.
>
> ***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 Executive Cabinet. Prudent balances are maintained for use as working capital, as a reserve against emergencies and for other purposes, in accordance with policies established by the Board of Trustees.

As stated earlier in this section, the College's net position was adjusted by $13,348,306 to reflect the implementation of GASB Statement No. 68 to report the net pension liability and the offsetting adjustment to net position.

Net Position As of June 30th	**FY 2015**	**FY 2014**
Net investment in capital assets	$113,685,426	$100,698,786
Restricted		
Expendable -Grants in Aid	1,123,921	873,254
Expendable - Student Loans	43,816	36,069
Unrestricted	(1,089,950)	12,644,684
Cumulative effect of change in accounting principle	-	(13,348,306)
Total Net Position	**$113,763,213**	**$100,904,487**

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 2015. The objective of the statement is to present the revenues received, both operating and non-operating, and the expenses paid by the College, along with any other revenue, expenses, and gains and losses of the College.

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

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

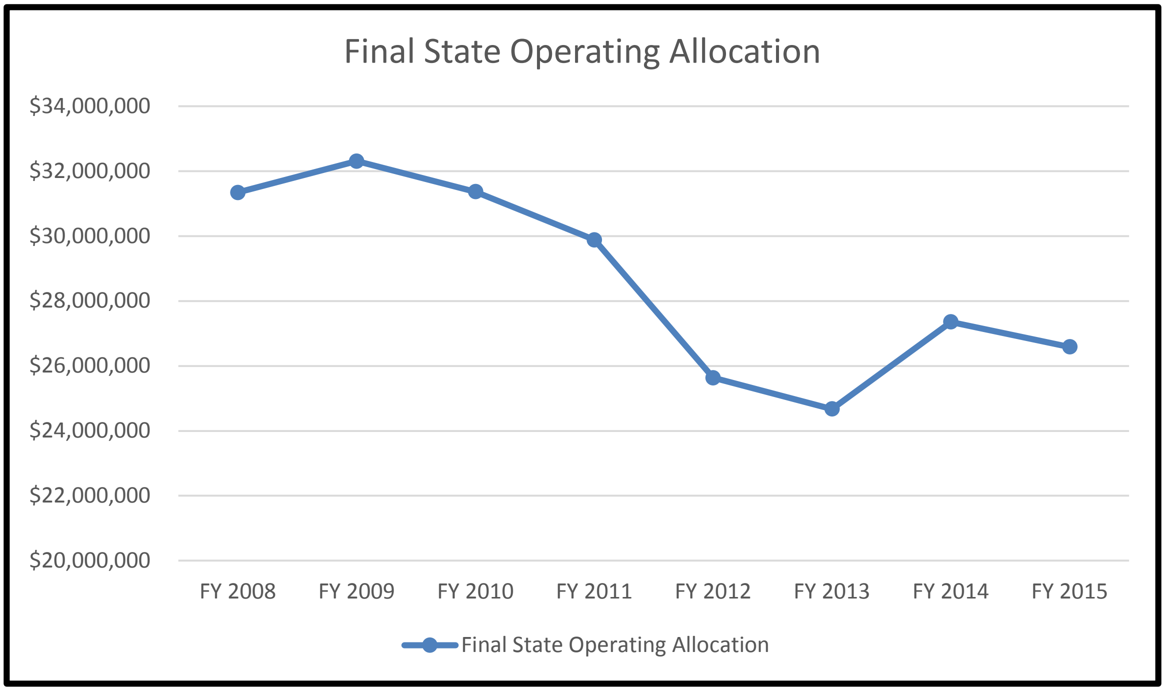
A condensed comparison of the College's revenues, expense and changes in net position for the years ended June 30, 2015 and 2014 is presented below.

As of June 30th	**FY 2015**	**FY 2014**
Operating Revenues	$ 54,889,594	$ 56,564,007
Operating Expenses	98,648,207	104,087,128
Net Operating Loss	**(43,758,613)**	**(47,523,121)**
Non-Operating Revenues and Expenses	40,377,713	43,725,810
Loss Before Other	**(3,380,900)**	**(3,797,311)**
Capital Appropriations and Contributions	16,239,626	5,389,360
Increase in Net Position	**12,858,726**	**1,592,049**
Net Position, Beginning of the Year	**100,904,487**	**112,660,744**
Cummulative effect of change in accounting principle	**-**	**(13,348,306)**
Net Position, End of the Year	**$ 113,763,213**	**$ 100,904,487**

Revenues

Continuing a trend that began midway through fiscal year 2009, the College's state operating appropriations decreased multiple times through FY 2013. The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and

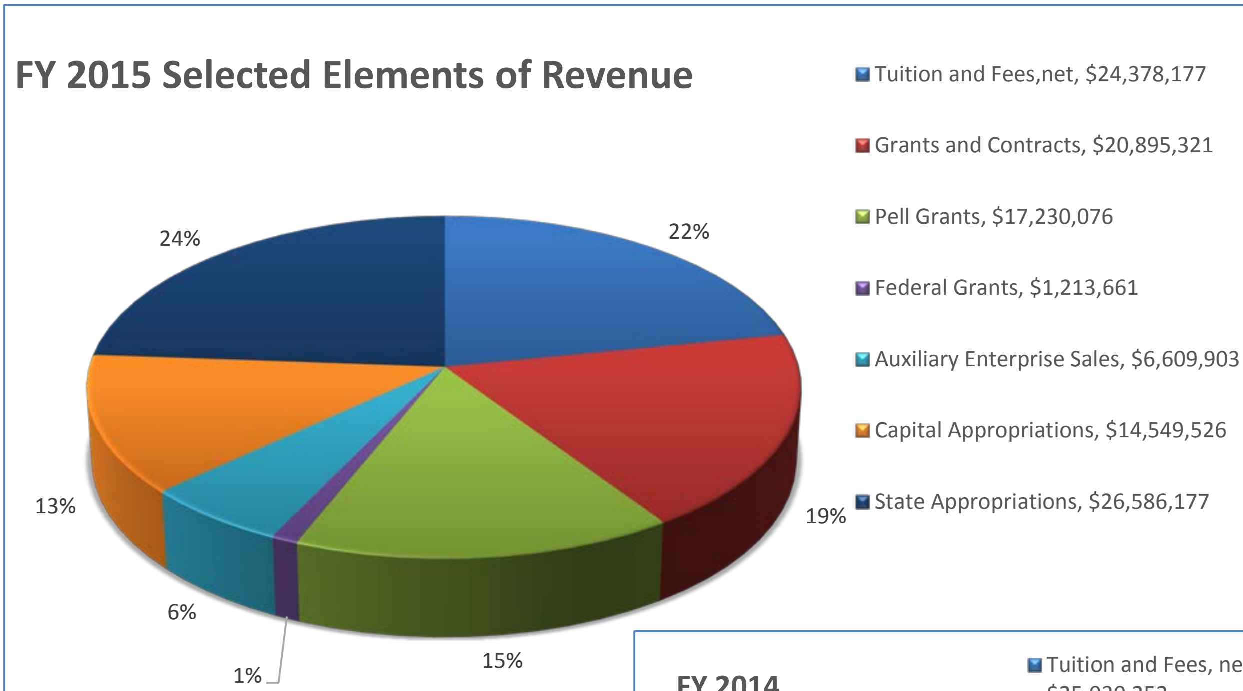
Technical Colleges (SBCTC) then allocates monies to each college. System-level appropriations hit their height in FY 2009 and as of FY 2013 had been reduced by almost 24%. In FY 2014, the Legislature reinstated a fraction of the previous cuts.

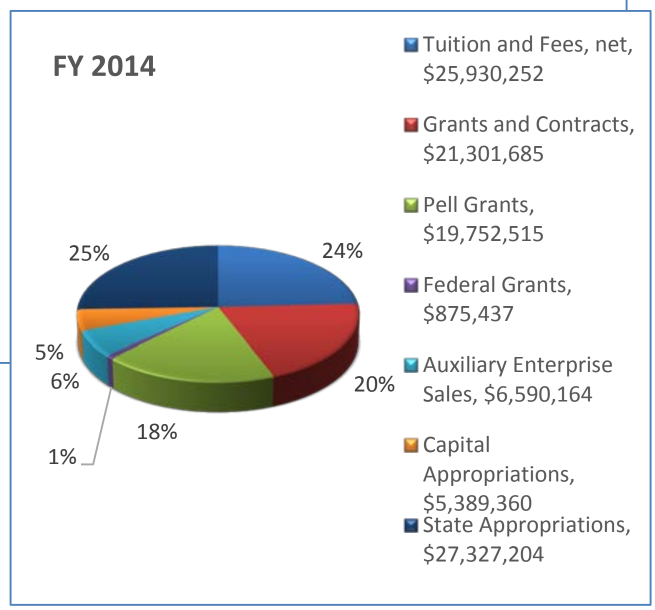


Over this same period, the Legislature and SBCTC instituted increases in tuition rates to partially offset the reduction in state appropriations. Since enrollments decreased in FY 2015, the College's decrease in tuition and fee revenue is primarily attributable to the decline in enrollment along with changes in enrollment levels such as fewer part-time students, but was offset slightly by an increase in international students. Pell Grant revenues generally follow enrollment trends. As the College's enrollment decreased during FY 2015, so did the College's Pell Grant revenue. For FY 2015, the College attempted to keep other fees as stable as possible, resulting in only small changes in these revenues.

In FY 2015, operating grant and contract revenues decreased by $68,140 when compared with FY 2014. This is primarily attributable to a decrease in State Need Grant, along with various other student aid grant funding, offset by an increase in Running Start reimbursements. 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 increase in Running Start enrollments partially offset the reduction in grant and contract revenues.

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



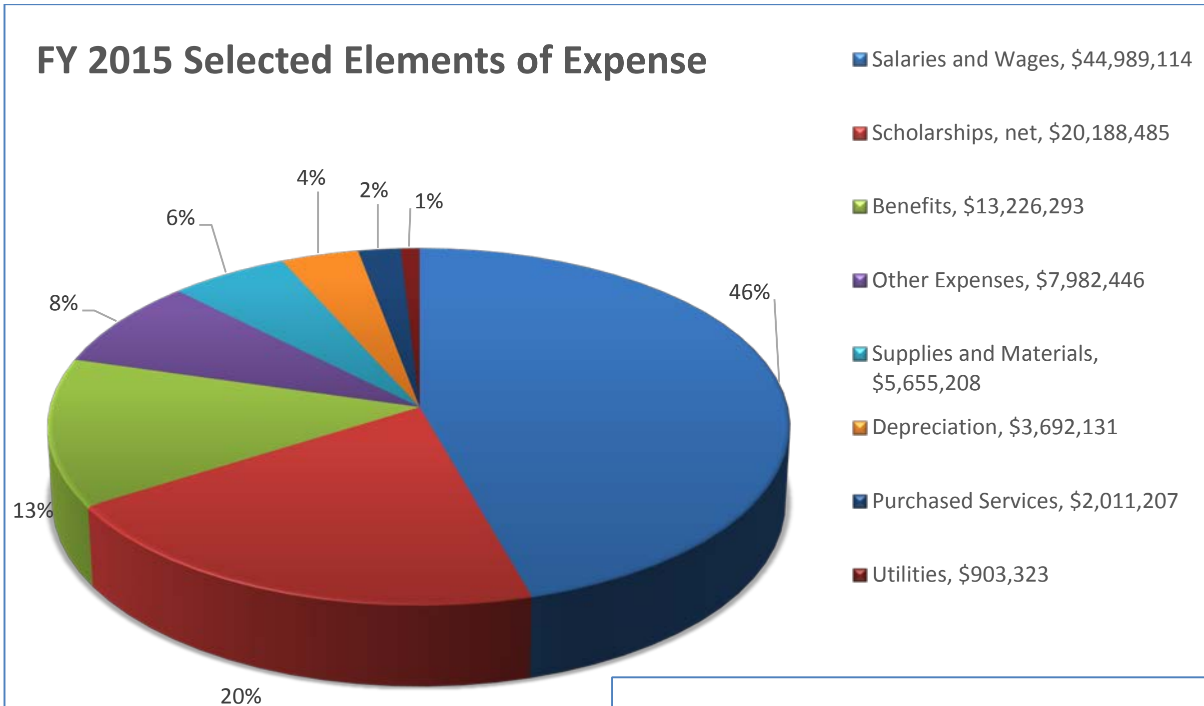


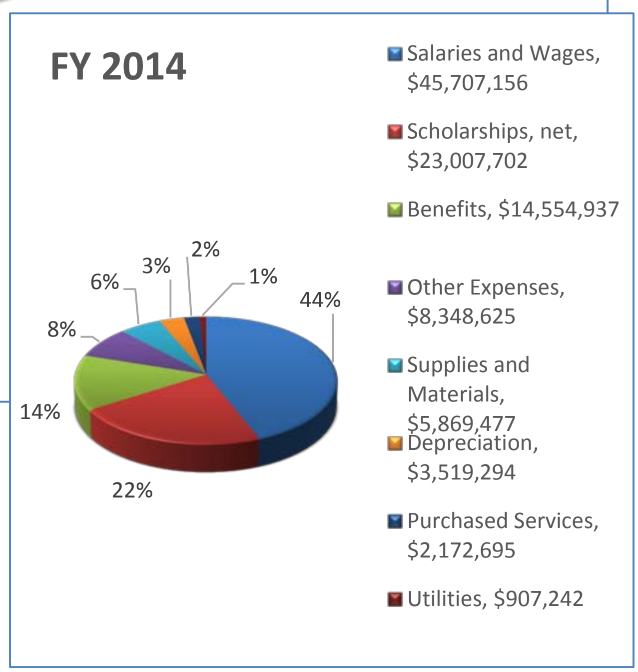
Expenses
Faced with severe budget cuts over the past six years, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College was subject to various state spending freezes and employee salary reductions.

More recently, in FY 2015, salary and benefit costs decreased by over $2 million as a direct result of the decline in enrollment resulting in less course sections offered. In addition, staff positions were left vacant longer than normal in an effort to reduce overall costs.

Scholarships declined by over $2.8 million in FY 2015. This is in direct correlation to the decline in enrollment, whereby the College served fewer students seeking aid than in prior years. Supplies and materials are decreased by approximately $214,000 in FY 2015, primarily as a result of intentional reductions in spending as well as fewer supplies needed as a result of fewer course offerings. Certain capital project costs do not meet accounting criteria for capitalization as part of the cost of the building and are instead recognized as supplies and materials or purchased services costs. These fluctuations are normal. Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing a significant increase in any year when a new building is placed in service.

All other costs are reported as other expenses. Examples include printing and reproduction, employee training, and operating lease expenses.





Capital Assets and Long-Term Debt Activities

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

At June 30, 2015, the College had invested $113,685,426 in capital assets, net of accumulated depreciation. This represents an increase of $11,451,640 from last year, as shown in the table below.

Asset Type	June 30, 2015	June 30, 2014	Change
Land	$9,794,670	$6,129,056	$3,665,614
Construction in Progress	$11,249,240	$1,170,008	$10,079,232
Buildings, net	$86,468,712	$89,101,080	-$2,632,368
Other Improvements and Infrastructure, net	$3,437,826	$3,001,808	$436,018
Equipment, net	$2,566,705	$2,658,433	-$91,728
Library Resources, net	$168,273	$173,401	-$5,128
Total Capital Assets, Net	**$113,685,426**	**$102,233,786**	**$11,451,640**

The increase in net capital assets can be attributed to the construction in progress of the STEM Building, Fiber Optic line replacement, and normal replacement and acquisition of equipment and library resources. In addition, the College gained ownership of the land the STEM Building is being constructed on, donated through the Clark College Foundation. The only significant capital project in process on June 30, 2015 was the STEM Building. Additional information on capital assets can be found in Note 6 of the Notes to the Financial Statements.

South facade view of the new STEM building under construction

At June 30, 2014, the College had $1,535,000 in outstanding debt, made up entirely of the Certificate of Participation (COP) for the Student Union Building. The College satisfied the COP in December 2014, paying the loan off in full. At June 30, 2015, the College has no outstanding debt. The College has no capital leases. Additional information of notes payable, long term debt and debt service schedules can be found in Notes 13 and 14 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

Following a trend that began in FY 2009, the College's state operating appropriations continued to decrease through FY 2013. More recently, when creating the 2013 – 2015 biennial budget, the state Legislature re-invested in community and technical colleges, restoring a small portion of the funding that had been lost in previous reductions. They continued this trend with a supplemental budget that included community colleges as a key partner in an investment in aerospace training. As a result, the net reduction of community college funding between FY 2009 and expected funding levels by the end of FY 2015 have been a little over 15 percent. These investments in community colleges allowed the Legislature to keep FY 2015 tuition flat for resident, non-resident and baccalaureate students.

Moving forward into the FY 2016 year, the Legislature enacted the Affordable Education Act, which reduced tuition by 5% at the College. This will further reduce the amount of tuition collected by the College. The Legislature did however backfill this loss. In FY 2017, the State Board for Community and Technical College's has elected to move to a new allocation model, changing how the state allocated funds are distributed to each college. The new model will be based on performance in several key indicators from general enrollments to enrollments in high cost programs, as well as student completion and achievement points. It's unclear how much opportunity there may be for additional investments in community and technical colleges in the next few years, as state budget writers continue to grapple with court-mandated basic education obligations, therefore this new allocation model may be the only significant change that could affect the College's state allocation funding.

College Statement of Net Position

Clark College
Statement of Net Position
As of June 30, 2015

Assets		
Current Assets		
Cash and cash equivalents (Note 2)	$	16,494,998
Restricted cash and cash equivalents (Note 2)		1,170,154
Accounts receivable, net (Note 3)		5,007,416
Student loans receivable, net (Note 4)		14,490
Inventories (Note 5)		1,238,992
Prepaid expenses		154,578
Total current assets	**$**	**24,080,628**
Non-Current Assets		
Non-depreciable capital assets (Note 6)	$	21,043,910
Depreciable capital assets, net (Note 6)		92,641,516
Total non-current assets	**$**	**113,685,426**
Total assets	**$**	**137,766,054**
Deferred Outflows of Resources Related to Pensions (Note 7)	**$**	**1,544,964**
Liabilities		
Current Liabilities		
Accounts payable	$	642,277
Accrued liabilities (Note 8)		2,527,212
Compensated absences (Note 11)		339,954
Deposits payable		142,672
Unearned revenue (Note 9)		2,135,339
Total current liabilities	**$**	**5,787,454**
Noncurrent Liabilities		
Compensated absences (Note 11)	$	4,816,272
Pension liabilty (Note 15)		10,418,069
Total non-current liabilities	**$**	**15,234,341**
Total liabilities	**$**	**21,021,795**
Deferred Inflows of Resources Related to Pensions (Note 7)	**$**	**4,526,010**
Net Position		
Net Investment in Capital Assets	$	113,685,426
Restricted for:		
Expendable		1,123,921
Student loans		43,816
Unrestricted		(1,089,950)
Total Net Position	**$**	**113,763,213**

The notes to the financial statements are an intengral part of this statement

Foundation Statement of Financial Position

CLARK COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR JUNE 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total June 30, 2015	Total June 30, 2014
ASSETS					
Cash	$ 493,183	$ -	$ -	$ 493,183	$ 517,523
Investments	15,954,837	13,040,146	48,763,270	77,758,253	73,042,638
Pledges and other receivables	62,090	918,116	348,718	1,328,924	2,282,622
Other assets	116,667	-	-	116,667	127,710
Split-interest agreements	-	93,539	1,025,272	1,118,811	1,210,298
Property and equipment, net	1,295,721	-	568,480	1,864,201	1,949,687
Land held for contribution and development	11,745,868	-	-	11,745,868	11,515,000
Total assets	$ 29,668,366	$ 14,051,801	$ 50,705,740	$ 94,425,907	$ 90,645,478
LIABILITIES AND NET ASSETS					
Accounts payable and accrued liabilities	$ 488,290	$ 199,108	$ -	$ 687,398	$ 568,575
Due to/from	(1,335,530)	1,439,942	(104,412)	-	-
Split-interest agreement liabilities	37,197	73,886	438,456	549,539	568,799
Notes payable	4,251,388	-	-	4,251,388	4,628,310
Total liabilities	3,441,345	1,712,936	334,044	5,488,325	5,765,684
Net assets:					
Unrestricted	26,227,021	-	-	26,227,021	25,099,280
Temporarily restricted	-	12,338,865	-	12,338,865	11,470,005
Permanently restricted	-	-	50,371,696	50,371,696	48,310,509
Total net assets	26,227,021	12,338,865	50,371,696	88,937,582	84,879,794
Total liabilities and net assets	$ 29,668,366	$ 14,051,801	$ 50,705,740	$ 94,425,907	$ 90,645,478

College Statement of Revenues, Expenditures and Changes in Net Position

Clark College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

Operating Revenues		
Student tuition and fees	$	34,202,239
Less scholarship discounts and allowances		(9,824,062)
Auxiliary enterprise sales		6,609,903
State and local grants and contracts		20,895,321
Federal grants and contracts		1,213,661
Other operating revenues		1,792,532
Total operating revenue	$	54,889,594
Operating Expenses		
Salaries and wages	$	44,989,114
Benefits		13,226,293
Scholarships, net of discounts		20,188,485
Other expenses		7,982,446
Supplies and materials		5,655,208
Depreciation		3,692,131
Purchased services		2,011,207
Utilities		903,323
Total operating expenses	$	98,648,207
Operating income (loss)	$	(43,758,613)
Non-Operating Revenues (Expenses)		
State appropriations	$	26,586,177
Federal Pell grant revenue		17,230,076
Investment income, gains and losses		23,301
Loss on disposal		(5,612)
Building fee remittance		(2,698,263)
Innovation fund remittance		(734,186)
Interest on indebtedness		(23,780)
Net non-operating revenues (expenses)	**$**	**40,377,713**
Income or (loss) before capital contributions	$	(3,380,900)
Capital appropriations	$	14,549,526
Non-cash capital contribution - STEM land from Foundation		1,690,100
Increase (Decrease) in net position	$	12,858,726
Net Position		
Net position, beginning of year	$	114,252,793
Cumulative effect of change in accounting principle (Note 1)		(13,348,306)
Net position, beginning of year, as restated	$	100,904,487
Net position, end of year	$	113,763,213

The notes to the financial statements are an intengral part of this statement

Foundation Statement of Activities and Changes in Net Position

CLARK COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

				Year Ended June 30,	
	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
SUPPORT, REVENUE, AND GAINS					
Support					
Contributions	$ 638,949	$ 805,177	$ 219,604	$ 1,663,730	$ 8,013,389
Donated services and use of facility	58,085	-	-	58,085	58,085
Total support	697,034	805,177	219,604	1,721,815	8,071,474
Revenue and gains					
Special events and other	86,070	96,760	-	182,830	117,787
Loss on disposal of property and equipment	(282,941)	-	-	(282,941)	(596)
Realized gain on investments	557,687	367,755	1,439,738	2,365,180	216,053
Net unrealized gain on investments	2,721,703	690,015	494,557	3,906,275	8,232,029
Change in value of split-interest agreements	(11,443)	(5,520)	24,036	7,073	903,367
Total revenue and gains	3,071,076	1,149,010	1,958,331	6,178,417	9,468,640
Net assets released from restrictions and other redesignations	1,202,075	(1,085,327)	(116,748)	-	-
Total support, revenue, and gains	4,970,185	868,860	2,061,187	7,900,232	17,540,114
EXPENSES					
Program services					
College program and capital support	1,530,359	-	-	1,530,359	4,158,877
Scholarships	672,913	-	-	672,913	620,867
Total program services	2,203,272	-	-	2,203,272	4,779,744
Supporting services					
Fundraising	801,426	-	-	801,426	814,463
Management and general	837,746	-	-	837,746	1,349,685
Total supporting services	1,639,172	-	-	1,639,172	2,164,148
Total expenses	3,842,444	-	-	3,842,444	6,943,892
CHANGE IN NET ASSETS	1,127,741	868,860	2,061,187	4,057,788	10,596,222
NET ASSETS, beginning of year	25,099,280	11,470,005	48,310,509	84,879,794	74,283,572
NET ASSETS, end of year	$ 26,227,021	$ 12,338,865	$ 50,371,696	$ 88,937,582	$ 84,879,794

College Statement of Cash Flows

Clark College
Statement of Cash Flows
For the Years Ended June 30, 2015

Cash flow from operating activities		
Student tuition and fees, net	$	22,702,309
Grants and contracts		22,219,001
Payments to vendors		(16,477,929)
Payments for utilities		(898,613)
Payments to employees		(45,046,002)
Payments for benefits		(13,173,795)
Auxiliary enterprise sales		6,735,950
Payments for scholarships and fellowships		(20,188,485)
Loans issued to students		(93,632)
Collection of loans to students		83,763
Other receipts (payments)		3,784,062
Net cash used by operating activities	$	(40,353,371)
Cash flow from noncapital financing activities		
State appropriations	$	26,327,976
Pell grants		17,230,076
Building fee remittance		(2,690,943)
Innovation fund remittance		(759,120)
Net cash provided by noncapital financing activities	$	40,107,989
Cash flow from capital and related financing activities		
Capital appropriations	$	14,482,858
Purchases of capital assets		(13,129,191)
Principal paid on capital debt		(1,040,000)
Interest paid		(23,780)
Net cash used by capital and related financing activities	$	289,887
Cash flow from investing activities		
Income of investments	$	23,301
Net cash provided by investing activities	$	23,301
Increase (decrease) in cash and cash equivalents	$	67,806
Cash and cash equivalents at the beginning of the year	$	17,597,346
Cash and cash equivalents at the end of the year	$	17,665,152

The notes to the financial statements are an intengral part of this statement

Statement of Cash Flows, continued

Reconciliation of Operating Loss to Net Cash used by Operating Activities

Operating Loss	$ (43,758,613)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	$ 3,692,131
Changes in assets and liabilities	
Receivables , net	$ 2,317,347
Inventories	(39,364)
Other assets	148,184
Accounts payable	217,195
Accrued liabilities	(974,572)
Unearned revenue	(1,615,696)
Compensated absences	(49,992)
Pension liability adjustment expense	50,810
Capital asset adjustment	(330,092)
Deposits Payable	(840)
Loans to students and employees	(9,869)
Net cash used by operating activities	$ (40,353,371)
Noncash capital, Financing and Investing Activities	
Donated capital asset, land	$ 1,690,100

The notes to the financial statements are an intengral part of this statement

Foundation Statement of Cash Flows

CLARK COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS

	Years Ended June 30, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 4,057,788	$ 10,596,222
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	51,096	58,759
Loss on disposal of property and equipment	282,941	596
Contribution of property and equipment	(426,840)	(3,856,611)
Unrealized gain on investments	(3,906,275)	(8,232,029)
Realized gain on investments	(2,365,180)	(216,053)
Change in value of split-interest agreements	(7,073)	(903,367)
Contributions restricted to long-term investment	(219,604)	(1,413,888)
Increase (decrease) in cash due to changes in assets and liabilities		
Pledges and other receivables	953,698	(253,327)
Split-interest agreements	98,560	1,970,635
Other assets	11,043	26,048
Accounts payable and accrued liabilities	118,823	78,893
Split-interest agreement liabilities	(19,260)	(564,596)
Net cash flows used in operating activities	(1,370,283)	(2,708,718)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(52,579)	(3,216,229)
Proceeds from sale of assets	-	121,200
Purchase of investments	(15,917,675)	(11,462,282)
Proceeds from sale of investments	17,473,515	15,822,374
Net cash flows from investing activities	1,503,261	1,265,063
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(376,922)	(31,080)
Contributions restricted to long-term investment	219,604	1,413,888
Net cash flows from financing activities	(157,318)	1,382,808
NET CHANGE IN CASH	(24,340)	(60,847)
CASH, beginning of year	517,523	578,370
CASH, end of year	$ 493,183	$ 517,523

CLARK COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS

	Years Ended June 30, 2015	2014
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES		
Noncash contributions	$ 473,486	$ 3,987,905
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of land through notes payable	$ -	$ 4,659,390

Notes to the Financial Statements

June 30, 2015

These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

Clark College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers associates degrees, certificates and high school diplomas. It is governed by a five-member Board of Trustees appointed by the Governor and confirmed by the state Senate. Currently, one of the Trustee positions is vacant due to a resignation. The College is awaiting a new appointee by the Governor.

The College is an agency of the State of Washington. The financial activity of the College is included in the State's Comprehensive Annual Financial Report.

The Clark College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1973 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to help individuals, families and organizations blend their personal priorities with the charitable priorities of Clark College to create a growing base of diverse endowments as well as increasing range of current, planned, and periodically, strategic capital gifts that advance Clark College as an extraordinary community college. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the College or its students, the Foundation is considered a discrete component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. A discrete component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2015, the Foundation distributed approximately $2.2 million to the College for restricted and unrestricted purposes, which includes student scholarships, program support, and capital improvements. In addition, the Foundation donated land to the College with an estimated value of $1,690,100. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at 360-992-2301.

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, liabilities, net position, revenues, expenses, changes in net position and cash flows.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), which improves accounting and financial reporting by state and local governments for pensions. This statement also supersedes GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as GASB Statement No. 50, *Pension Disclosures*. GASB 68 is effective for fiscal years beginning after June 15, 2014. The College has implemented this pronouncement during the 2015 fiscal year. Implementation of this pronouncement has required a restatement of the prior year net position to reflect the net pension liability and the impact to net position.

The Governmental Accounting Standards Board (GASB) issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective for the year ended June 30, 2015. This statement addresses an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The effect of Statement No. 71 to the College is to require the deferral (Deferred Outflows) of pension contributions made subsequent to the measurement date and is addressed in Note 7 to the financial statements.

Cumulative effect of change in accounting principle

The college recorded a reduction to the beginning net position balance as a result of implementing GASB Statement No. 68. The net position has been restated as follows:

Net Position as previously reported at June 30, 2014	$114,252,793
Adjustment to beginning net position:	
Net Pension Liability	(14,716,176)
Deferred Outflows	1,367,870
Total adjustment	(13,348,306)
Net Position, as restated, July 1, 2014	$100,904,487

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.

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 accounting principles generally accepted in the United States of America 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.

During the course of operations, numerous transactions occur between funds for goods provided and services rendered. For the financial statements, inter-fund 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.

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand and bank demand deposits. Cash equivalents are defined as highly liquid investments with an original maturity of 90 days or less. Funds invested through the Washington State Treasurer's Local Government Investment Pool (LGIP) are reported as cash equivalents. 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, cash equivalents, and investments at fair value.

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is used to cover banking fees associated with College operations. The internal investment pool is comprised of cash and cash equivalents.

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

Inventories
Inventories, consisting primarily 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 market 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. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets and software with a unit cost of $1,000,000 or more, buildings and improvements with a unit cost of $100,000 or more, library collections with a total cost of

$5,000 or more and all other assets with a unit cost of $5,000 or more are capitalized. Depreciation is computed using the straight line method over the estimated useful life of the asset as defined by the State of Washington's Office of Financial Management. Useful lives generally range from 15 to 50 years for buildings and improvements, 15 to 50 years for other improvements and infrastructure, 7 years for library resources and 2 to 10 years for most equipment and 11 to 40 years for heavy duty equipment.

In accordance with GASB Statement 42, the College reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2015, no assets had been written down.

Unearned Revenues
Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year. The College has recorded summer and fall quarter tuition and fees as unearned revenues.

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

Net Pension Liability
For purposes of measuring the net pension liability, 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 reports at fair value.

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. Changes in net position liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

Net Position
The College's net position is classified as follows:

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

Restricted for Nonexpendable. This consists of endowment and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to the principal.

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

Restricted for Expendable. These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties. The expendable balance for the College is funds held for student loans and Institutional financial aid funds per RCW 28B.15.820.

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

Classification of Revenues and Expenses

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

Operating Revenues. This includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts which includes Running Start revenue and various grants for funding student tuition and operations.

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

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

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

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, 2015 are $9,824,062.

State Appropriations

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

Building and Innovation Fee Remittance
Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature and is subject to change annually. The fee provides funding for capital construction and projects on a system wide basis using a competitive biennial allocation process. The Building Fee is remitted on the 35th day of each quarter. The Innovation Fee was established in order to fund the State Board of Community and Technical College's Strategic Technology Plan. The use of the fund is to implement new ERP software across the entire system. On a monthly basis, the College's remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the statement of revenues, expenses and changes in net position.

2. Cash and Cash Equivalents
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 LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17 CFR 270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both the market and credit risk. The LGIP is an unrated investment pool.

As of June 30, 2015, the carrying amount of the College's cash and equivalents was $17,665,152. Restricted cash included in total cash consists of amounts restricted for loans and institutional financial aid funds per RCW 28B.15.820. The classification is represented in the table below.

Cash and Cash Equivalents	**2015**
Bank Demand and Local Government Investment Pool	$ 16,479,798
Restricted Cash	1,170,154
Petty Cash and Change Funds	15,200
Total Cash and Cash Equivalents	**$ 17,665,152**

Custodial Credit Risks—Deposits
Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The majority of the College's demand deposits are with the Bank of America. 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).

Interest Rate Risk—Investments
While the College does not currently have any investments other than the LGIP, when investing historically, the College manages its exposure to interest rate changes by limiting the duration of investments to mature at various points in the year. The College administrative policy 450.033 identifies investment parameters as ranging from overnight and up to one year in duration, depending on the stability of the cash balance and the annual cycle of cash liquidity needs.

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

Custodial Credit Risk—Investments
Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2015, the college did not have any investments other than the LGIP.

Investment Expenses
Under implementation of GASB 35, investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2015 were $1,815.

3. Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenditures made according to sponsored agreements. At June 30, 2015, accounts receivable were as follows:

Accounts Receivable		**2015**
Student Tuition and Fees	$	1,991,921
Due from Federal Government	$	141,648
Due from State Appropriation	$	3,198,037
Due from Other State Agencies	$	697,940
Auxiliary Enterprises	$	103,792
Other	$	378,567
Subtotal	$	6,511,905
Less Allowance for Uncollectible Accounts	$	(1,504,489)
Accounts Receivable, net	**$**	**5,007,416**

4. Loans Receivable

Loans receivable as of June 30, 2015 consisted primarily of student loans, as follows.

Loans Receivable		**Amount**
Student Loans Receivable	$	24,027
Less Allowance for Uncollectible Accounts	$	(9,537)
Loans Receivable, net	**$**	**14,490**

5. Inventories

Inventories, stated at cost using the FIFO method, consisted of the following as of June 30, 2015:

Inventories		**2015**
Consumable Inventories	$	18,505
Merchandise Inventories	$	1,220,487
Inventories	**$**	**1,238,992**

6. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2015 is presented as follows. The current year depreciation expense was $3,692,131.

Capital Assets	**Balance at June 30,2014**	**Additions/ Transfers**	**Retirements**	**Balance at June 30,2015**
Nondepreciable capital assets				
Land	$ 6,129,056	$ 3,665,614	$ -	$ 9,794,670
Construction in progress	1,170,008	10,079,232	-	11,249,240
Subtotal	7,299,064	13,744,846	-	21,043,910
Depreciable capital assets				
Buildings	126,651,850	-	-	126,651,850
Improvements and infrastructure	6,283,859	688,699	-	6,972,558
Equipment	8,871,272	598,616	(64,172)	9,405,716
Library resources	3,725,454	60,721	-	3,786,175
Subtotal	145,532,435	1,348,036	(64,172)	146,816,299
Less accumulated depreciation				
Buildings	37,550,770	2,632,368	-	40,183,138
Improvements and infrastructure	3,282,051	252,681	-	3,534,732
Equipment	6,212,839	684,732	(58,560)	6,839,011
Library resources	3,552,053	65,849	-	3,617,902
Total accumulated depreciation	50,597,713	3,635,630	(58,560)	54,174,783
Total depreciable capital assets	94,934,722	(2,287,594)	(5,612)	92,641,516
Capital assets, net of accumulated depreciation	**$ 102,233,786**	**$ 11,457,252**	**$ (5,612)**	**$ 113,685,426**

7. Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of equity that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The category of deferred outflow of resources reported in statement of net position relates to pensions.

Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows 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 state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. State contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported by the College relate to pensions.

Deferred inflows on 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 five-year period. Deferred 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 state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position:

	PERS 1		**PERS 2/3**	
	Deferred Outflows	**Deferred Inflows**	**Deferred Outflows**	**Deferred Inflows**
Difference between expected and actual earnings of pension plan investments		$ 793,740		$ 3,396,140
Changes in College's proportionate share of pension liabilities			$ 157,422	
Contributions to pension plans after measurement date	$ 550,832		$ 670,672	
	$ 550,832	**$ 793,740**	**$ 828,093**	**$ 3,396,140**

	TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual earnings of pension plan investments		$ 136,711		$ 199,419
Changes in College's proportionate share of pension liabilities			$ 36,339	
Contributions to pension plans after measurement date	$ 59,247		$ 70,453	
	$ 59,247	**$ 136,711**	**$ 106,791**	**$ 199,419**

The $1,351,204 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, 2016.

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

Year ended June 30:	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2016	$ 198,435	$ 804,057	$ 34,178	$ 41,955
2017	198,435	804,057	34,178	41,955
2018	198,435	804,057	34,178	41,955
2019	198,435	826,546	34,178	41,955
2020	-			(4,740)
	$ 793,740	**$ 3,238,717**	**$ 136,712**	**$ 163,080**

8. Accrued Liabilities

At June 30, 2015, accrued liabilities are the following:

Accrued Liabilities	2015
Amounts Owed to Employees	$ 1,895,372
Amounts Held for Others and Retainage	461,735
Estimated Settlement Liability	170,105
Total Accrued Liabilities	**$ 2,527,212**

9. Unearned Revenue

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

Unearned Revenue		**2015**
Summer and Fall Quarter Tuition and Fees	$	2,109,733
Other Deposits		25,606
Total Unearned Revenue	**$**	**2,135,339**

10. Risk Management
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, 2014 through June 30, 2015, were $141,511. Cash reserves for unemployment compensation for all employees at June 30, 2015, were $10,923.

The College purchases commercial property insurance through the master property program administered by the Department of Enterprise Services. 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 currently has elected to have coverage for two buildings, the contents of six buildings and business interruption for the building that houses our primary data center. The College made these selections by carefully evaluating building age, condition, contents, and use. The College assumes its potential property losses for all other buildings and contents on campus.

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

11. Compensated Absences
At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled $1,456,213, and accrued sick leave totaled $3,700,013 at June 30, 2015. By comparison, the June 30, 2014 accrued vacation leave totaled $1,545,340, and the sick leave totaled $3,660,878. The result is a net decrease of $49,992 in total compensated absence liability.

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

12. Leases Payable

The College has leases for property and office equipment with various vendors. These leases are classified as operating leases. As of June 30, 2015, the minimum lease payments under operating leases consist of the following:

Leases Payable

Fiscal Year	Equipment Leases	Property Leases
2016	$ 133,542	$ 353,173
2017	129,482	328,873
2018	129,482	81,003
2019	129,482	-
2020	129,482	-
2021-25	21,580	-
Total minimum lease payments	**$ 673,050**	**$ 763,049**

13. Notes Payable

In February 2004, the College obtained financing to renovate the Student Union Building through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $5,780,000. Students assessed themselves, on a quarterly basis, a mandatory fee to service the debt. The interest rate charged is 3.530%.

Student fees related to the COP are accounted for in a dedicated fund, which is used to pay principal and interest.

The College's satisfied this debt in December 2014.

14. Schedule of Long Term Debt

	Balance outstanding 6/30/14	Additions	Reductions	Balance outstanding 6/30/15	Current portion
Certificates of Participation	$ 1,535,000		$ (1,535,000)	$ -	$ -
Total	**$ 1,535,000**	**$ -**	**$ (1,535,000)**	**$ -**	**$ -**

15. Pension Liability

Pension liabilities reported as of June 30, 2015 consists of the following:

Pension Liability by Plan

PERS 1	$ 6,347,662
PERS 2/3	3,203,878
TRS 1	779,629
TRS 2/3	86,900
Total	**$ 10,418,069**

16. Pension Plans

Summary

The College offers three contributory pension plans. The Washington State Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) plans are cost sharing multiple employer defined benefit pension plans administered by the State of Washington Department of Retirement Services. The State Board Retirement Plan (SBRP) is a multiple employer defined contribution plan for the faculty and exempt administrative and professional staff of the state's public community and technical colleges. The plan includes supplemental payment, when required. The plan is administered by the State Board for Community and Technical Colleges (SBCTC).

For FY 2015, the payroll for College employees was $13,475,999 for PERS, $1,271,549 for TRS, and $23,676,712 for SBRP. Total covered payroll was $38,424,260.

Clark College implemented Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* for the fiscal year 2015 financial reporting. The College's defined benefit pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

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

Basis of Accounting

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for Clark College, for reported year ending June 30, 2015:

Aggregate Pension Amounts - All Plans

Pension liabilities	$	10,418,069
Deferred outflows of resources related to pensions		1,544,964
Deferred inflows of resources related to pensions		4,526,010
Pension expense		1,402,014

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

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

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

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

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

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

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

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 (on a pay as you go basis) which is administered by the state.

Retirement Plans
PERS
Plan Description. The Legislature established the PERS Plan in 1947. PERS Plan 1 provides retirement and disability benefits and minimum benefit increases to eligible nonacademic plan members hired prior to October 1, 1977. Entrance to PERS Plan 1 is closed to new employees. PERS Plans 2 and 3 provide retirement and disability benefits and a cost-of-living adjustment to eligible nonacademic plan members hired on or after October 1, 1977. Retirement benefits are vested after five years of eligible service. PERS Plan 3 has a defined contribution component that

members may elect to self-direct as established by the Employee Retirement Benefits Board. PERS 3 defined benefit plan benefits are vested after an employee completes ten years of eligible service.

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, 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 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.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service. This is reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC. Plan 1 members may elect to receive an optional 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.

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.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

PERS Plan 3 members have the option to retire early with reduced benefits.
PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

TRS

Plan Description. The Legislature established the TRS Plan in 1938. TRS Plans 1 and 2 are defined benefit plans. TRS Plan 1 was closed to new entrants on September 30, 1977. Employees currently have a choice of entering TRS Plan 2 or 3. TRS Plan 2 and 3 provide retirement benefits to certain eligible faculty hired on or after October 1, 1977. TRS Plan 3 includes both a defined benefit portion and a defined contribution portion. The defined benefit portion is funded by employer contributions only. Benefits are vested after an employee completes five or ten years of eligible service, depending on the employee's age and service credit, and include an annual cost-of living adjustment. The defined contribution component is fully funded by employee contributions and investment performance. 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.

Legislation passed in 2007 gives TRS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of TRS Plan 2 or Plan 3. At the end of 90 days, any member who has not made a choice becomes a member of Plan 3.

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

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

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

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

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

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

Funding Policy. Each biennium, the state Pension Funding Council adopts PERS and TRS Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for PERS and TRS Plans 1 are established by statute. PERS 3 employees may select among six contribution rate options, ranging from 5 to 15 percent.

The required contribution rates expressed as a percentage of current year covered payroll are shown in the table below. The College and the employees made 100% of required contributions.

The authority to establish and amend benefit provisions resides with the legislature. PERS and TRS issue publicly available financial reports that include financial statements and required supplementary information. The report may be obtained by writing to the Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at http://www.drs.wa.gov/administration.

Contribution Rates and Required Contributions. The College's contribution rates and required contributions for the above retirement plans for the years ending June 30, 2015, 2014, and 2013 are as follows:

Contribution Rates at June 30

	FY 2013		**FY 2014**		**FY 2015**	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	6.00%	7.21%	6.00%	9.21%	6.00%	9.21%
Plan 2	4.64%	7.21%	4.92%	9.21%	4.92%	9.21%
Plan 3	5 - 15%	7.21%	5 - 15%	9.21%	5 - 15%	9.21%
TRS						
Plan 1	6.00%	8.05%	6.00%	10.39%	6.00%	10.39%
Plan 2	4.69%	8.05%	4.69%	10.39%	4.96%	10.39%
Plan 3	5-15%	8.05%	5-15%	10.39%	5-15%	10.39%

Required Contributions

	FY 2013		FY 2014		FY 2015	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	$9,692	$11,647	$8,615	$13,219	$8,615	$13,223
Plan 2	$429,005	$666,738	$468,714	$877,120	$451,770	$845,854
Plan 3	$243,171	$258,219	$261,310	$367,797	$273,580	$381,792
TRS						
Plan 1	$4,592	$6,159	$1,743	$2,940	$2,162	$3,744
Plan 2	$3,797	$6,516	$4,108	$8,394	$6,069	$12,713
Plan 3	$65,828	$69,612	$79,255	$110,656	$81,989	$115,656

Investments

The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB adopted investment policies for the various asset classes in which the WSIB invests.

For the year ended June 30, 2014, the annual money-weighted rate of return on the pension investments, net of pension plan expenses are as follows:

Pension Plan	Rate of Return
PERS Plan 1	16.98%
PERS Plan 2/3	17.06%
TRS Plan 1	16.97%
TRS Plan 2/3	17.07%

These money-weighted rates of return express investment performance, net of pension plan investment expense, and reflects both the size and timing of cash flows.

The PERS and TRS target asset allocation and long-term expected real rate of return as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	**100%**	

The inflation component used to create the above table is 2.70 percent and represents WSIB's most recent long-term estimate of broad economic inflation.

Pension Expense

Pension expense is included as part of "Employee Benefits" expense in the statement of revenues, expenses and changes in net position. The table below shows the components of each pension plans expense as it affected employee benefits:

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
Actuarially determined pension expense	$ 344,132	$ 514,102	$ 35,709	$ 58,353	$ 952,296
Amortization of change in proportionate liability	357,315	44,977	39,526	7,900	449,718
Total Pension Expense	**$ 701,447**	**$ 559,079**	**$ 75,235**	**$ 66,253**	**$1,402,014**

Changes in Proportionate Shares of Pension Liabilities

The changes to the College's proportionate share of pension liabilities from 2013 to 2014 for each retirement plan are listed below:

	2013	2014
PERS 1	0.119892%	0.126007%
PER 2/3	0.153761%	0.158501%
TRS 1	0.025314%	0.026433%
TRS 2/3	0.022871%	0.026905%

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

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2013 with the results rolled forward to the June 30, 2014 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation 3.00%
- Salary Increases 3.75%

- Investment rate of return 7.50%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Sensitivity of the net pension liability to changes in the discount rate
The discount rate used to measure the total pension liability was 7.50 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. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates. 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 7.50 percent on pension plan investments was applied to determine the total pension liability.

The following presents the net pension liability of the College calculated using the discount rate of 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

Pension Plan	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS Plan 1	7,824,115	6,347,662	5,080,272
PERS Plan 2/3	13,364,059	3,203,878	(4,556,611)
TRS Plan 1	1,003,278	779,629	587,656
TRS Plan 2/3	755,340	86,900	(409,951)

State Board Retirement Plan
Plan Description. Faculty and exempt administrative and professional staff are eligible to participate in SBRP. The Teacher's Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF) are the companion organizations through which individual retirement annuities are purchased. Employees have at all times a 100% vested interest in their accumulations.

TIAA-CREF benefits are payable upon termination at the member's option unless the participant is re-employed in another institution which participates in TIAA-CREF.

The Plan has a supplemental payment component that guarantees a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The SBCTC makes direct payments on behalf of the College to qualifying retirees when the retirement benefit provided by TIAA-CREF does not meet the benefit goal. Employees are eligible for a non-reduced supplemental payment after the age of 65 with ten years of full-time service.

The minimum retirement benefit goal is 2% of the average annual salary for each year of full-time service up to a maximum of 25 years. However, if the participant does not elect to make the 10% TIAA-CREF contribution after age 49, the benefit goal is 1.5% for each year of full-time service for those years the lower contribution rate is selected.

The SBCTC is authorized to amend benefit provisions including contribution rates under RCW 28B.10.400. In 2011, the plan was amended to eliminate the supplemental benefit provisions for all employees hired after June 30, 2011.

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are 100% matched by the College. Employee and employer contributions for the year ended June 30, 2015 were each $2,029,994 and $2,030,009, respectively.

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2015, supplemental benefits were paid by the SBCTC on behalf of the system as a total in the amount of $583,625. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During FY 2015, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $118,552. As of June 30, 2015, the SBCTC system accounted for $7,729,471 of the fund balance.

Washington State Deferred Compensation Program

The College, through the state of Washington, offers its employees a deferred compensation plan created under Internal Revenue Code Section 457. The plan, available to all State employees, permits individuals to defer a portion of their salary until future years. The state of Washington administers the plan on behalf of the College's employees. The deferred compensation is not available to employees until termination, retirement or unforeseeable financial emergency. The College does not have access to the funds.

Other Post-Employment Benefits

Health care and life insurance programs for employees of the State of Washington are administered by the Washington State Health Care Authority (HCA). The HCA calculates the premium amounts each year that are sufficient to fund the statewide health and life insurance programs on a pay-as-you-go basis. These costs are passed through to individual state agencies based upon active employee headcount; the agencies pay the premiums for active employees to the HCA. The agencies may also charge employees for certain higher cost options elected by the employee.

State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors. The health care premiums for active employees, which are paid by the agency during the employees' working careers, subsidize the "underpayments" of retirees. An additional factor in the Other Post-Employment Benefits (OPEB) obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit" subsidy). This explicit subsidy is also passed through to state agencies via active employee rates charged to the agency. There is no formal state or College plan that underlies the subsidy of retiree health and life insurance.

The actuary allocated the statewide disclosure information to the community and technical college system level. The SBCTC further allocated these amounts among the colleges. The College's share of the GASB 45 actuarially accrued liability (AAL) is $29,741,908, with an annual required contribution (ARC) of $2,906,176. The ARC represents the amortization of the liability for FY 2015 plus the current expense for active employees, which is reduced by the current contributions of approximately $365,374. The College's net OPEB obligation at June 30, 2015 was approximately $4,306,172. This amount is not included in the College's financial statements.

The College paid $6,145,050 for healthcare expenses in 2015, which included its pay-as-you-go portion of the OPEB liability.

17. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Assets, 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, student financial aid, and academic support. The College included compensated absence accrual expense and pension expense with institutional support for the purpose of this table. The following table lists operating expenses by program for the year ending June 30, 2015.

Expenses by Functional Classification		
Instruction	$	35,182,844
Academic Support Services		7,722,179
Student Services		8,999,846
Institutional Support		7,265,594
Operations and Maintenance of Plant		7,252,815
Scholarships and Other Student Financial Aid		20,157,072
Auxiliary enterprises		8,375,726
Depreciation		3,692,131
Total Operating Expenses	**$**	**98,648,207**

18. Commitments and Contingencies

There is a class action lawsuit, *Moore v. HCA*, filed against the State of Washington on behalf of former part-time and non-permanent employees alleging improper denial of healthcare benefits. Although the College has not been named as a defendant in the lawsuit, some of the class members are current or former employees of the College. Potentially, the state could assess the

College with a material share of any amount paid in the event of a settlement or judgment. As of the end of fiscal year 2015, the parties have reached a settlement agreement with the plaintiffs to settle all matters relating to this and related lawsuits. Final settlement is contingent on a) funding of the settlement by the legislature and b) final approval by the trial court if funding is provided.

Additionally, 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 statements.

The College has commitments of $22,736,196 for the construction and completion of the new Science, Technology, Engineering, and Math (STEM) building. The construction is funded through a State Capital Allocation. At June 30, 2015, the STEM building construction was in the construction phase.

19. Subsequent Events

On March 29th 2016, the legislature passed the supplemental budget which included an appropriation to fund the settlement for the *Moore v. HCA* lawsuit. SBCTC's portion of this obligation is $32 million of which $19 million is funded by the legislature and the remaining $13 million will be allocated among 34 colleges in the system. At this time SBCTC has not calculated the exact allocation to each college and it can only be reasonably estimated within a range. The estimated range provided by SBCTC for the College is from $170,105 to $1,439,000. The College's has booked a liability in the amount of $170,105.

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Clark College’s Proportionate Share of the Net Pension Liability

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

	2014
College’s proportion of the net pension liability	0.126007%
College proportionate share of the net pension liability	$ 6,347,662
College covered-employee payroll	$ 143,576
College’s proportionate share of the net pension liability as a percentage of its covered-employee payroll	4421.12%
Plan’s fiduciary net position as a percentage of the total pension liability	61.19%

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

Cost Sharing Employer Plans

Schedules of Clark College’s Proportionate Share of the Net Pension Liability

Schedule of Clark College's Share of the Net Pension Liability Public Employees’ Retirement System (PERS) Plan 2/3 Measurement Date of June 30	
	2014
College’s proportion of the net pension liability	0.158501%
College proportionate share of the net pension liability	$ 3,203,878
College covered-employee payroll	$ 13,526,018
College’s proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.69%
Plan’s fiduciary net position as a percentage of the total pension liability	93.29%

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

Cost Sharing Employer Plans

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

Schedule of Clark College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 1 Measurement Date of June 30		
		2014
College's proportion of the net pension liability		0.026433%
College proportionate share of the net pension liability	$	779,629
College covered-employee payroll	$	29,043
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll		2684.41%
Plan's fiduciary net position as a percentage of the total pension liability		68.77%

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

Cost Sharing Employer Plans

Schedules of Clark College’s Proportionate Share of the Net Pension Liability

Schedule of Clark College's Share of the Net Pension Liability Teachers’ Retirement System (TRS) Plan 2/3 Measurement Date of June 30		
		2014
College’s proportion of the net pension liability		0.026905%
College proportionate share of the net pension liability	$	86,900
College covered-employee payroll	$	1,159,825
College’s proportionate share of the net pension liability as a percentage of its covered-employee payroll		7.49%
Plan’s fiduciary net position as a percentage of the total pension liability		96.81%

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

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered–employee payroll
2014	$ 13,219	$ 13,219	$ -	$ 143,576	9.21%
2015	$ 13,223	$ 13,223	$ -	$ 143,576	9.21%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Public Emplyees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered–employee payroll
2014	$ 1,244,917	$ 1,244,917	$ -	$13,526,018	9.20%
2015	$ 1,227,646	$ 1,227,646	$ -	$13,332,423	9.21%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered–employee payroll
2014	$ 2,940	$ 2,940	$ -	$ 29,043	10.12%
2015	$ 3,744	$ 3,744	$ -	$ 36,038	10.39%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered–employee payroll
2014	$ 119,049	$ 119,049	$ -	$ 1,159,825	10.26%
2015	$ 128,369	$ 128,369	$ -	$ 1,235,511	10.39%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

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