Clark College

2018 Annual Financial Report

Fiscal Year Ended June 30, 2018

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Clark College

2018 Financial Report

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Trustees and Executive Officers

Trustees and Officer list effective as of October 31, 2018

Independent Auditor's Report on Financial Statements

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

December 19, 2018

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 units of the Clark College, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

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perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the 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 units of the Clark College, as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 2 to the financial statements, in 2018, the College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of Clark College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2018, 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.

Other Matters

Report on Summarized Comparative Information

The financial statements include summarized prior-year comparative information for the 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, 2017, from which such partial information was derived. Other auditors have previously audited the Foundation's 2017 basic financial statements and they expressed an unmodified opinion in their report dated November 16, 2017.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The information identified in the table of contents as the Trustees and Executive Officers is presented for purposes of additional analysis and is not a required part of the basic financial statements of the College. 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 will also issue our report dated December 19, 2018, 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.

Sincerely,

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

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, 2018 (FY 2018). 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 12,800 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 175,000 residents. The College also offers classes at our satellite locations in east Vancouver at the Columbia Tech Center, and in north Vancouver on the campus of Washington State University Vancouver. Economic and Community Development classes are offered in downtown Vancouver at the Columbia Bank Building. The College is currently planning for an additional location in north Clark County and has just completed the renovation of its Culinary Arts facility at its main campus to serve the increased demand for training. The College is governed by a five member Board of Trustees appointed by the governor with the consent of the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its 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, 2018. 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 2018, the College implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB).* This Statement requires the College to recognize its proportionate share of the state's actuarially determined OPEB liability with a one year lag measurement date similar to GASB Statement No. 68. The change in accounting principle resulted in an adjustment to beginning net position in the amount of $39,087,357. Additional information can be found in Note 19.

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 position 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 2018**		**FY 2017**
Assets				
Current Assets		22,623,237		29,235,432
Capital Assets, net		138,266,040		136,548,751
Total Assets	**$**	**160,889,277**	**$**	**165,784,183**
Deferred Outflows				
Deferred Outflows Related to Pensions	$	2,796,742	$	3,549,045
Deferred Outflows Related to OPEB	$	570,914	$	-
Total Deferred Outflows	**$**	**3,367,656**	**$**	**3,549,045**
Liabilities				
Current Liabilities		10,288,895		6,897,233
Other Liabilities, non-current		60,869,127		32,620,078
Total Liabilities	**$**	**71,158,022**	**$**	**39,517,311**
Deferred Inflows				
Deferred Inflows Related to Pensions	$	3,675,968	$	1,752,373
Deferred Inflows Related to OPEB	$	5,869,654	$	-
Total Deferred Intflows	**$**	**9,545,622**	**$**	**1,752,373**
Net Position				
Net Investment in Capital Assets		130,383,587		133,744,435
Restricted		1,003,106		949,975
Unrestricted		(47,833,404)		(6,630,866)
Total Net Position, as restated		**83,553,289**		**128,063,544**

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The decrease of current assets in FY 2018 can primarily be attributed to a decrease in restricted investments for COP proceeds related to the Certificate of Participation obtained to finance the Culinary Arts renovation. The renovation was completed and the investment fully spent. Additionally, accounts receivable decreased primarily to a decrease in the receivable due from the State Treasurer related to expenditures at year-end associated with the College's operating allocation.

Net capital assets increased by $1,717,289 from FY 2017 to FY 2018. After taking into consideration current depreciation expense of $4,529,212 the majority of the increase is the result of the completion renovation of the Tod and Maxine McClaskey Culinary Arts Institute.

Deferred outflows of resources and deferred inflows of resources represent pension-related deferrals associated with the implementation of GASB Statement No. 68 in FY 2015, Statement No. 73 in FY 2017, and Statement No. 75 in FY 2018. The College recorded $3,549,045 in FY 2017 and $2,796,742 in FY2018 of pension-related deferred outflows. The decrease in deferred outflows related to pensions reflect the College's proportionate share of a decrease in the state-wide amounts reported by the DRS due to differences between expected and actual experience related to the actuarial assumptions. In addition, the College recorded a deferred outflows related to implementation OPEB, all of which is related to employer contributions subsequent to the measurement date.

Similarly, the increase in deferred inflows in 2017 reflects the increase in difference between projected and actual investment earnings on the state's pension plans. The College recorded $1,752,373 in FY 2017 and $3,675,968 in FY2018 of pension-related deferred inflows. The increase reflects the change in proportionate share. Additionally, the College recorded a deferred inflows related to the implementation of OPEB, all of which is related to changes in assumptions.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, deposits held for others, the short-term portion of Certificates of Participation debt, unearned revenue, as well as the short-term portion of pension and OPEB liabilities. 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 increase in current liabilities from FY 2017 to FY 2018 is primarily the result of the implementation of GASB Statement No. 75 related to OPEB liability reporting. 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 liability.

Non-current liabilities primarily consist of the amount of vacation and sick leave earned but not yet used by employees, the long term portion of Certificates of Participation debt, the College's share of the pension liabilities, and the College's share of the OPEB liability.

The College's non-current liabilities increased due to the implementation of GASB Statement No. 75, reflecting the College's proportionate share of the postemployment benefit liability for the state's OPEB. This increase was slightly offset by a decrease in the College's proportionate share in pension liabilities.

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

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

Restricted:

Nonexpendable – consists of funds which a donor or external party has imposed the restriction that the corpus or principal is not available for expenses 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 $39,087,357 due to the implementation of GASB Statement No. 75.

Net Position As of June 30th	**FY 2018**	**FY 2017**
Net investment in capital assets	$130,383,587	$133,744,435
Restricted		
Expendable - Grants in Aid	967,542	914,217
Expendable - Student Loans	35,564	35,758
Unrestricted	(47,833,404)	(6,630,866)
Total Net Position	**$83,553,289**	**$128,063,544**

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 2018. The objective of the statement is to present the revenues earned, both operating and non-operating, and the expenses incurred 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.

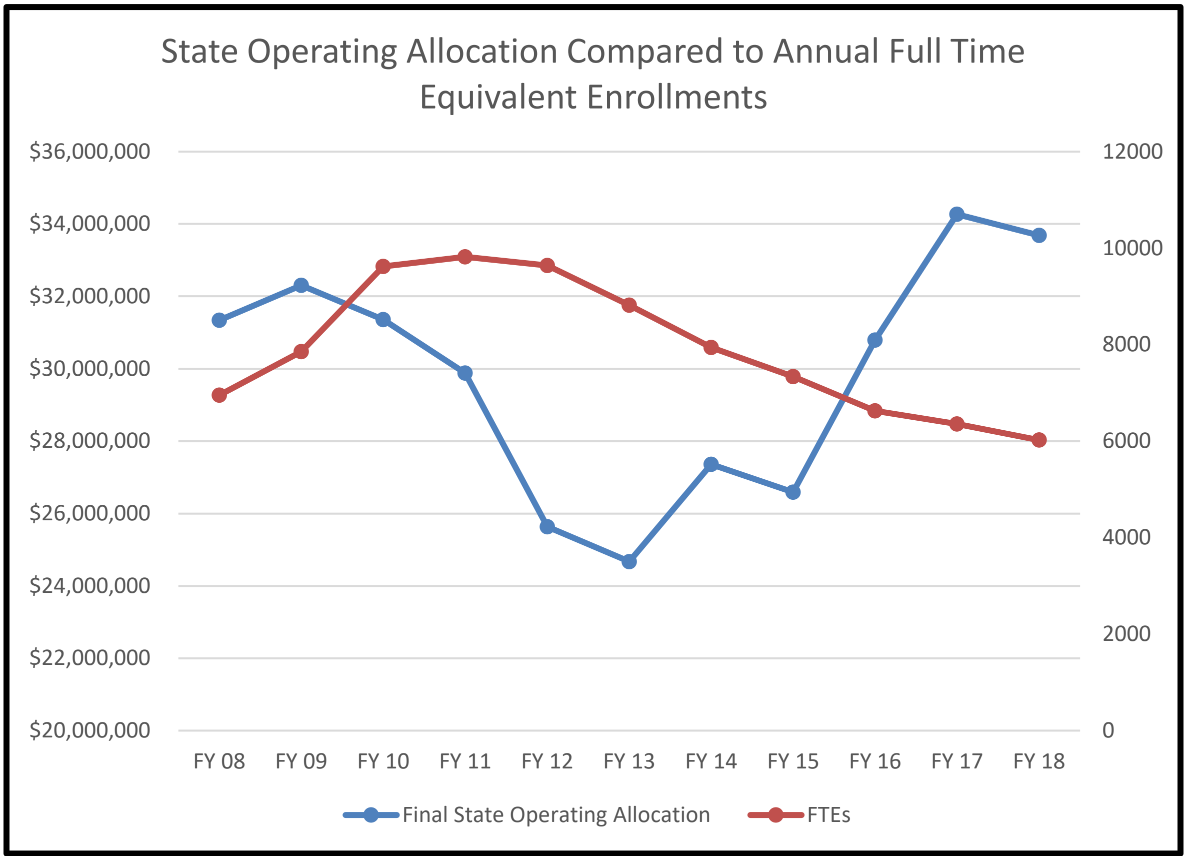
Operating expenses are expenses incurred in the normal operation of the College, including depreciation on property and equipment. When operating revenues, excluding state appropriations and Pell Grants, are measured against operating expenses, the College shows an operating loss. The operating loss 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, expenses and changes in net position for the years ended June 30, 2018 and 2017 is presented as follows:

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

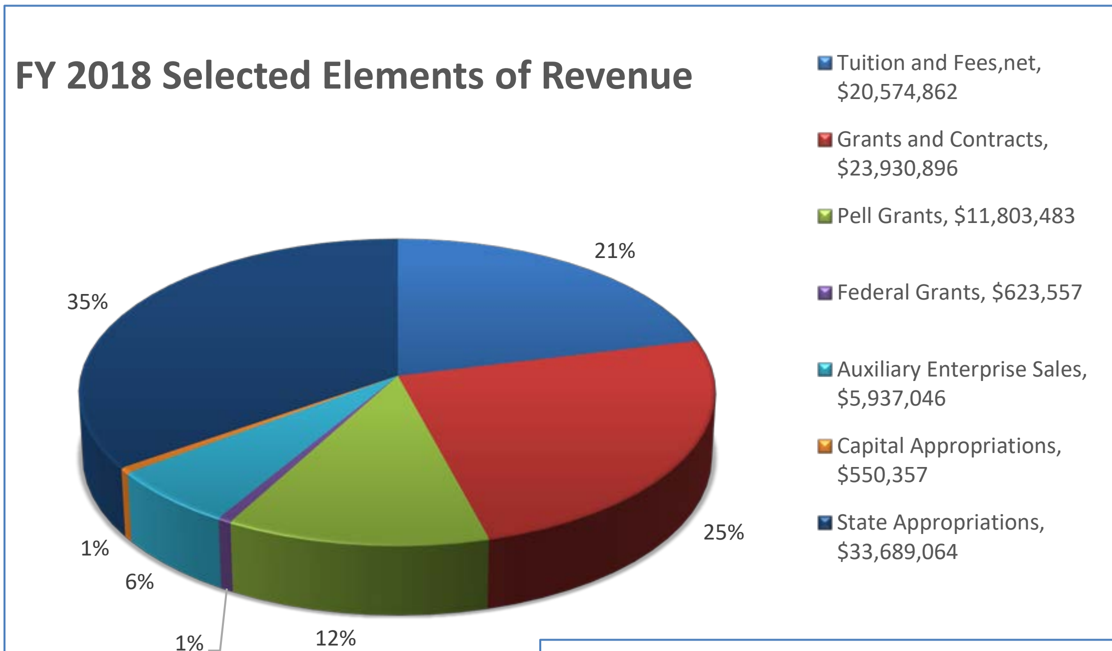
As of June 30th	FY 2018	FY 2017	Change
Operating Revenues			
Student tuition and fees, net	$ 20,574,862	$ 21,324,126	$ (749,264)
Auxiliary enterprise sales	5,937,046	6,038,382	(101,336)
State and local grants and contracts	23,930,896	23,141,563	789,333
Federal grants and contracts	623,557	703,782	(80,225)
Other operating revenues	1,187,553	1,275,315	(87,762)
Total operating revenues	**52,253,914**	**52,483,168**	**(229,254)**
Operating Expenses	**(101,083,253)**	**(102,312,248)**	**1,228,995**
Operating Loss	**(48,829,339)**	**(49,829,080)**	**999,741**
Non-operating revenues			
State appropriations	33,689,064	34,267,598	(578,534)
Federal Pell grant revenue	11,803,483	12,450,915	(647,432)
Investment income, net	245,144	125,989	119,155
Non-operating expenses	(3,182,567)	(3,090,314)	(92,253)
Net non-operating revenues (expense)	**42,555,124**	**43,754,188**	**(1,199,064)**
Income (loss) before capital contributions	**(6,274,215)**	**(6,074,892)**	**(199,323)**
Capital Appropriations and Contributions	851,317	5,939,757	(5,088,440)
Change in Net Position	**(5,422,898)**	**(135,135)**	**(5,287,763)**
Net Position, Beginning of the Year	**128,063,544**	**133,376,906**	**(5,313,362)**
Change in Accounting Principle	**(39,087,357)**	**(5,178,227)**	**(33,909,130)**
Net Position, End of the Year	**$ 83,553,289**	**$ 128,063,544**	**$ (44,510,255)**

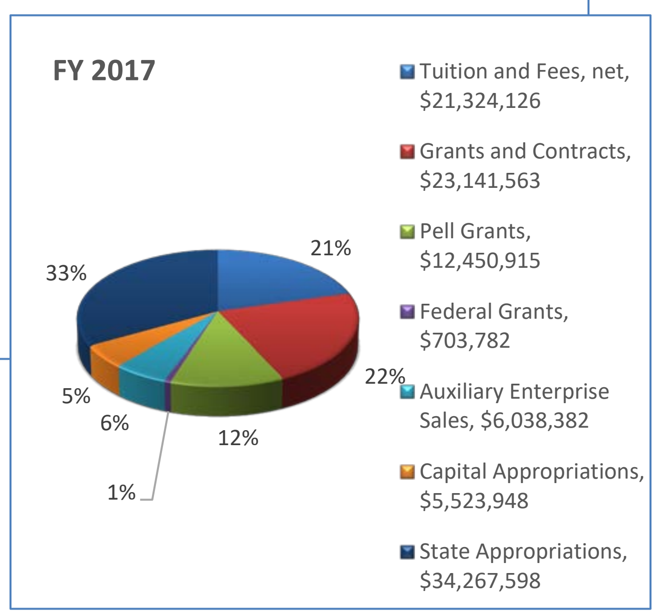
Revenues
The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2017, the SBCTC moved forward with a new allocation model, allocating funds to each of the 34 Colleges based on 3-year average FTE actuals. In FY 2017, the College saw a small increase in its state allocation due to the implementation of this new model. However, the Colleges allocation was slightly reduced in FY 2018 to reflect a reduction in its funded enrollment target or FTE, and associated funding. In addition, in FY2017 the College received a one-time allocation of $1,878,730 for a portion of its share of Moore vs HCA settlement cost. This allocation did not carry forward to future years.



In FY 2018, 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, as well as a decrease in international students. Pell Grant revenues generally follow enrollment trends. As the College's enrollment decreased during FY 2018, so did the College's Pell Grant revenue. For FY 2018, the College attempted to keep other fees as stable as possible, resulting in only small changes in these revenues.

In FY 2018, state and local operating grant and contract revenues increased by $789,333 when compared with FY 2017. This is primarily attributable to a steady increase in Running Start enrollments as well as an increase in the Running Start reimbursement rates. The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses.





The College receives capital spending authority on a biennial basis. In accordance with accounting standards, the amount shown as capital appropriation revenue on the financial statements is the amount expended in the current year. Expenses from capital project funds that do not meet accounting standards for capitalization are reported as operating expenses. Those expenses that meet the capitalization standard are not shown as expense in the current period and are instead recognized as depreciation expense over the expected useful life of the asset.

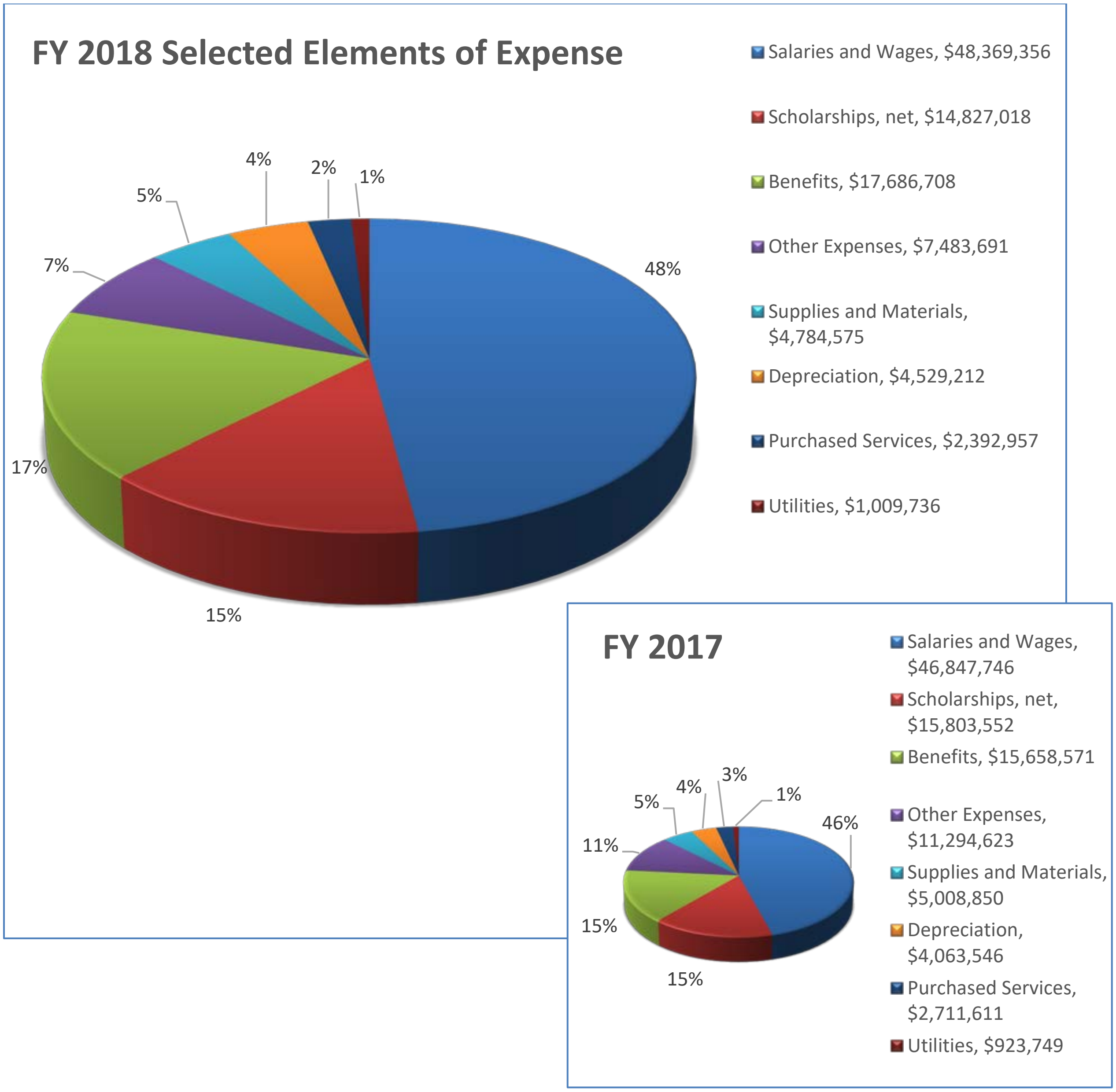
Ribbon cutting for the new Tod and Maxine McClaskey Culinary Arts Institute

Expenses

Faced with severe budget cuts over the past six years, the College has continuously sought opportunities to identify savings and efficiencies, while also looking at opportunities for innovation.

More recently, in FY 2018, salary costs increased by over $1.5 million as a direct result of the 2.0% salary increase appropriated by the Legislature. In addition, benefits increased by approximately $2 million as a result of the increased healthcare and retirement costs, as well as the accrual of pension adjustments related to GASB 68, 73 and 75 reporting.

Scholarships including financial aid declined by over $976,534 in FY 2018. This is in direct correlation to the decline in enrollment, whereby the College served fewer students seeking aid than in prior years. In addition, the College has continued to educate students on financial literacy, encouraging a reduction in loans taken out by our students. Other Expenses decreased by over $3.8 million and was primarily attributable to the Moore vs. HCA settlement payout costs of $3.2 million in FY 2017. 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.



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. In FY 2017, the College elected to finance the renovation of the Culinary Arts facility with Certificate of Participation debt. Additional information regarding the Certificate of Participation debt can be found in Note 14.

At June 30, 2017, the College had invested $138,266,040 in capital assets, net of accumulated depreciation. This represents an increase of $1,717,289 from last year, as shown in the following table.

Asset Type	**June 30, 2018**	**June 30, 2017**	**Change**
Land	$11,021,429	$11,021,429	$0
Construction in Progress	$0	$5,065,860	-$5,065,860
Buildings, net	$121,525,610	$114,692,622	$6,832,988
Other Improvements and Infrastructure, net	$2,914,038	$3,180,945	-$266,907
Equipment, net	$2,552,204	$2,348,209	$203,995
Library Resources, net	$252,759	$239,686	$13,073
Total Capital Assets, Net	**$138,266,040**	**$136,548,751**	**$1,717,289**

The increase in net capital assets can be primarily attributed to the completion of the renovation of the Tod and Maxine McClaskey Culinary Arts Institute, and normal replacement and acquisition of equipment and library resources. Additional information on capital assets can be found in Note 7.

UltraREAL exhibit at the Archer Gallery

At June 30, 2018, the College had $7,255,000 in outstanding debt. This represents a decrease of $510,000 from last year. In FY 2017, the college entered into two Certificate of Participation loans, one for the renovation of the culinary arts facility and another for energy efficiency improvements.

Additional information of notes payable, long-term debt and debt service schedules can be found in Notes 14 and 15 of the Notes to the Financial Statements.

Baking Students in the new Tod and Maxine McClaskey Culinary Institute

Economic Factors That May Affect the Future

While Washington's strong economy continues to produce increased operating revenue, the legislature's mandate to fully fund K-12 public education leaves little discretionary funding left for the community and technical college system. As a result, it is likely that Clark College will only realize new revenue through increases in tuition and Running Start reimbursement rates, both of which are set at the state level. Enrollment numbers at the College appear to be stabilizing for the first time in years, but they are still well below our state funded enrollment targets and are not expected to grow significantly while unemployment remains low. As long as other colleges in the system also experience low enrollment, Clark will not be adversely impacted by the State Board's funding allocation model, which is driven primarily by enrollment of state-support students. However, if other schools see their numbers grow, Clark's operating appropriation is at risk of declining proportionately.

The College is in the design phase for a new 70,000 square foot advanced manufacturing center to be built on our new North County campus. The new center will allow us to add sections and boost enrollments in one of the region's fastest growing technical career pathways. At this time it is uncertain if the legislature will appropriate construction funding in the 2019-21 capital budget.

Students performing at the Sakura Festival, spring 2018

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College Statement of Net Position

Clark College

Statement of Net Position
As of June 30, 2018

	2018
Assets	
Current Assets	
Cash and cash equivalents (Note 3)	15,418,761
Restricted cash and cash equivalents (Note 3)	1,398,087
Accounts receivable, net (Note 4)	4,908,810
Student loans receivable, net (Note 5)	22,632
Inventories (Note 6)	741,451
Prepaid expenses	133,496
Total current assets	**22,623,237**
Non-Current Assets	
Non-depreciable capital assets (Note 7)	11,021,429
Depreciable capital assets, net (Note 7)	127,244,611
Total non-current assets	**138,266,040**
Total assets	**160,889,277**
Deferred Outflows of Resources	
Deferred ouflows related to pensions (Note 18)	2,796,742
Deferred ouflows related to OPEB (Note 19)	570,914
Total deferred ouflows of resources	**3,367,656**
Liabilities	
Current Liabilities	
Accounts payable	810,087
Accrued liabilities (Note 9)	2,971,202
Compensated absences (Note 12)	361,749
Deposits payable	120,902
Unearned revenue (Note 10)	1,759,887
Certificates of participation, current portion (Note 14 and 15)	655,000
Total pension liability, current portion (Note 18)	68,802
OPEB liability, current portion (Note 19)	3,541,266
Total current liabilities	**10,288,895**
Non-Current Liabilities	
Compensated absences (Note 12)	5,313,576
Net pension liaibility, long term portion (Note 18)	11,665,473
Total pension liability, long term portion (Note 18)	3,687,570
OPEB liability, long term portion (Note 19)	32,533,985
Unamortized premium (Note 14 and 16)	1,068,523
Certificates of participation, long term portion (Note 14 and 15)	6,600,000
Total non-current liabilities	**60,869,127**
Total liabilities	**71,158,022**
Deferred Inflows of Resources	
Deferred inflows related to pensions (Note 18)	3,675,968
Deferred inflows related to OPEB (Note 19)	5,869,654
Total deferred inflows of resources	**9,545,622**
Net Position	
Net Investment in Capital Assets	130,383,587
Restricted for:	
Expendable	967,542
Student loans	35,564
Unrestricted	(47,833,404)
Total Net Position	**83,553,289**

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

Foundation Statement of Financial Position

Clark College Foundation
Statement of Financial Position
June 30, 2018
(With Summarized Financial Information for June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total June 30, 2018	Total June 30, 2017
ASSETS					
Cash	$ 32,573	$ -	$ -	$ 32,573	$ 533,396
Investments	19,224,009	10,775,257	53,156,310	83,155,576	77,472,304
Pledges and other receivables, net	122,925	4,776,640	263,591	5,163,156	4,454,015
Other assets	337,341	-	-	337,341	120,830
Split-interest agreements	-	206,835	975,374	1,182,209	1,054,277
Property and equipment, net	753,735	-	568,480	1,322,215	1,360,127
Land held for contribution and development	11,974,992	-	-	11,974,992	11,940,191
Total assets	$ 32,445,575	$ 15,758,732	$ 54,963,755	$ 103,168,062	$ 96,935,140
LIABILITIES AND NET ASSETS					
Accounts payable and accrued liabilities	$ 829,011	$ 157,218	$ -	$ 986,229	$ 531,438
Due to/from	20,805	-	(20,805)	-	-
Split-interest agreement liabilities	38,686	256,064	390,474	685,224	551,102
Notes payable	2,082,091	-	-	2,082,091	2,481,701
Total liabilities	2,970,593	413,282	369,669	3,753,544	3,564,241
Net assets					
Unrestricted	29,474,982	-	-	29,474,982	28,360,452
Temporarily restricted	-	15,345,450	-	15,345,450	14,087,063
Permanently restricted	-	-	54,594,086	54,594,086	50,923,384
Total net assets	29,474,982	15,345,450	54,594,086	99,414,518	93,370,899
Total liabilities and net assets	$ 32,445,575	$ 15,758,732	$ 54,963,755	$ 103,168,062	$ 96,935,140

College Statement of Revenues, Expenses and Changes in Net Position

Clark College

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018

	2018
Operating Revenues	
Student tuition and fees	29,073,067
Less scholarship discounts and allowances	(8,498,205)
Auxiliary enterprise sales	5,937,046
State and local grants and contracts	23,930,896
Federal grants and contracts	623,557
Other operating revenues	1,187,553
Total operating revenue	**52,253,914**
Operating Expenses	
Salaries and wages	48,369,356
Benefits	17,686,708
Scholarships, net of discounts	14,827,018
Other expense	7,483,691
Supplies and materials	4,784,575
Depreciation	4,529,212
Purchased services	2,392,957
Utilities	1,009,736
Total operating expenses	**101,083,253**
Operating income (loss)	**(48,829,339)**
Non-Operating Revenues (Expenses)	
State appropriations	33,689,064
Federal Pell grant revenue	11,803,483
Investment income, gains and losses	245,144
Gain on disposal	27,988
Building fee remittance	(2,361,712)
Innovation fund remittance	(569,005)
Interest on indebtedness	(279,838)
Net non-operating revenues (expenses)	**42,555,124**
Income or (loss) before capital contributions	(6,274,215)
Capital appropriations	550,357
Capital contribution-Foundation	300,960
Increase (decrease) in net position	**(5,422,898)**
Net Position	
Net position, beginning of year	128,063,544
Cumulative effect of change in accounting principle (Note 2)	(39,087,357)
Net position, beginning of year, as restated	88,976,187
Net position, end of year	**83,553,289**

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

Foundation Statement of Activities and Changes in Net Position

Clark College Foundation
Statement of Activities
Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Years Ended June 30, 2018 Total	2017 Total
SUPPORT, REVENUE, AND GAINS					
Support					
Contributions	$ 644,781	$ 2,096,785	$ 1,752,797	$ 4,494,363	$ 1,881,336
Donated services and use of facility	58,085	-	-	58,085	58,085
Total support	702,866	2,096,785	1,752,797	4,552,448	1,939,421
Revenue and gains					
Special events and other	14,324	102,845	-	117,169	85,206
Gain (loss) on disposal of property and equipment	(2,250)	-	(42,751)	(45,001)	36,262
Realized gain on investments	1,399,165	805,593	3,946,537	6,151,295	2,726,823
Net unrealized gain (loss) on investments	2,113,914	435,033	(2,023,396)	525,551	4,474,293
Change in value of split-interest agreements	(3,419)	(6,094)	30,289	20,776	67,114
Total revenue and gains	3,521,734	1,337,377	1,910,679	6,769,790	7,389,698
Net assets released from restrictions and other redesignations	2,168,549	(2,175,775)	7,226	-	-
Total support, revenue, and gains	6,393,149	1,258,387	3,670,702	11,322,238	9,329,119
EXPENSES					
Program services					
College program and capital support	2,492,922	-	-	2,492,922	2,044,932
Scholarships	960,649	-	-	960,649	900,038
Total program services	3,453,571	-	-	3,453,571	2,944,970
Supporting services					
Fundraising	987,725	-	-	987,725	997,581
Management and general	837,323	-	-	837,323	746,689
Total supporting services	1,825,048	-	-	1,825,048	1,744,270
Total expenses	5,278,619	-	-	5,278,619	4,689,240
CHANGE IN NET ASSETS	1,114,530	1,258,387	3,670,702	6,043,619	4,639,879
NET ASSETS, beginning of year	28,360,452	14,087,063	50,923,384	93,370,899	88,731,020
NET ASSETS, end of year	$ 29,474,982	$ 15,345,450	$ 54,594,086	$ 99,414,518	$ 93,370,899

College Statement of Cash Flows

Clark College

Statement of Cash Flows

For the Years Ended June 30, 2018

	2018
Cash flow from operating activities	
Student tuition and fees, net	20,601,072
Grants and contracts	24,529,230
Payments to vendors	(15,089,702)
Payments for utilities	(983,000)
Payments to employees	(47,921,493)
Payments for benefits	(16,448,649)
Auxiliary enterprise sales	6,048,925
Payments for scholarships	(14,827,018)
Loans issued to students	(39,578)
Collection of loans to students	31,470
Other receipts	1,161,696
Net cash used by operating activities	**(42,937,047)**
Cash flow from noncapital financing activities	
State appropriations	33,957,568
Pell grants	11,803,483
Building fee remittance	(2,368,036)
Innovation fund remittance	(569,551)
Principal paid on noncapital debt	(30,000)
Interest paid on noncapital debt	(18,050)
Net cash provided by noncapital financing activities	**42,775,414**
Cash flow from capital and related financing activities	
Proceeds from capital debt	6,405,529
Capital appropriations	870,738
Capital contribution-Foundation	300,960
Purchases of capital assets	(6,260,176)
Proceeds from the sale of capital assets	39,597
Principal paid on capital debt	(480,000)
Interest paid on capita debt	(507,427)
Net cash used by capital and related financing activities	**369,221**
Cash flow from investing activities	
Income of investments	265,096
Net cash provided by investing activities	**265,096**
Increase (decrease) in cash and cash equivalents	**472,684**
Cash and cash equivalents at the beginning of the year	**16,344,164**
Cash and cash equivalents at the end of the year	**16,816,848**

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

Statement of Cash Flows, continued

Reconciliation of Operating Loss to Net Cash used by Operating Activities

Operating Loss	$	(48,829,339)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense	$	4,529,212
Changes in assets and liabilities		
Receivables, net	$	(97,470)
Inventories		76,416
Other assets		117,662
Accounts payable		(493,674)
Accrued liabilities		162,392
Deferred revenue		66,928
Compensated absences		331,860
Pension liability adjustment expense		1,207,184
Deposits payable		(110)
Loans to students		(8,108)
Net cash used by operating activities	**$**	**(42,937,047)**

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, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 6,043,619	$ 4,639,879
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	42,162	36,082
Loss (gain) on disposal of property and equipment	45,001	(36,262)
Contribution of property and equipment	(580,000)	-
Unrealized gain on investments	(525,551)	(4,474,293)
Realized gain on investments	(6,151,295)	(2,726,823)
Change in value of split-interest agreements	(20,776)	(67,114)
Contributions restricted to long-term investment	(1,752,797)	(103,677)
Change in pledges receivable discount	(150,096)	(150,091)
Increase (decrease) in cash due to changes in assets and liabilities:		
Pledges and other receivables	(559,045)	163,102
Other assets	(216,511)	(613)
Split-interest agreements	(107,156)	22,813
Accounts payable and accrued liabilities	454,791	(1,220,705)
Split-interest agreement liabilities	134,122	62,134
Net cash flows used in operating activities	(3,343,532)	(3,855,568)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, equipment and land held	(39,050)	(165,611)
Proceeds from sale of assets	534,998	472,260
Purchase of investments	(10,469,187)	(7,416,895)
Proceeds from sale of investments	11,462,761	11,353,313
Net cash flows from investing activities	1,489,522	4,243,067
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(399,610)	(391,899)
Contributions restricted to long-term investment	1,752,797	103,677
Net cash flows from (used in) financing activities	1,353,187	(288,222)
NET CHANGE IN CASH	(500,823)	99,277
CASH, beginning of year	533,396	434,119
CASH, end of year	$ 32,573	$ 533,396
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES		
Noncash contributions	$ 97,634	$ 46,589

Notes to the Financial Statements

June 30, 2018

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.

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 component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. A 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, 2018, the Foundation distributed $1,782,165 to the College for restricted and unrestricted purposes, which includes student scholarships, program support, and capital improvements. 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, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

Basis of Accounting
The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows. All significant intra-agency transactions have been eliminated. However, revenues and expenses from the College's auxiliary enterprises are treated as though the College were dealing with private vendors.

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.

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 amortized cost.

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 acquisition 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, 2018, no assets had been written down.

Unearned Revenues

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

Tax Exemption

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

Pension Liability

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

Beginning in fiscal year 2017, the College also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68 (Accounting and Financial Reporting for Pensions). The reporting requirements are similar to GASB68 but use current fiscal yearend as the measurement date for reporting the pension liabilities.

Other Postemployment Benefits Liability

In fiscal year 2018, the College implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB). This Statement requires the College to recognize its proportionate share of the state's actuarially determined OPEB liability with a one year lag measurement date similar to GASB Statement No. 68.

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

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

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

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

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

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

Restricted for 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, investment income, and gain on disposal.

Non-operating Expenses. Non-operating expenses include state remittance related to the building fee and the innovation fee, interest on COP, and loss on disposal.

Scholarship Discounts and Allowances
Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2018 are $8,498,205.

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. Accounting and Reporting Changes
In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).* The scope of this Statement addresses accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to employees of state and local governmental employers. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. The College has implemented this pronouncement during the 2018 fiscal year.

Due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for postemployment Benefits Other than Pensions (OPEB),* the College has a deficit unrestricted net position of $47,833,404. This new accounting standard requires the College to recognize its portion of the State's total OPEB liability, reducing net position by a substantial amount. Additional information regarding GASB Statement No. 75 can be found in Note 19.

In March 2017, the GASB issued Statement No. 85, Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The College took into consideration this guidance as it implemented GASB Statement No. 75 for OPEB.

Prior Period Adjustment
Beginning net position was restated by $39,087,357 in fiscal year 2018 as a result of implementing GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).*

Accounting Standard Impacting the Future
In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations,* to addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The effective date of this Statement is fiscal year 2019. The College is in the process of reviewing its assets to ensure compliance with this reporting requirement.

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be in effect beginning fiscal year 2021. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The College is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.

3. 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.

The LGIP portfolio is invested in a manner that meets the requirements set forth by the Governmental Accounting Standards Board for the maturity, quality, diversification and liquidity for external investment pools that wish to measure all of its investments at amortized costs. The LGIP transacts with its participants at a stable net asset value per share of one dollar, which results in the amortized cost reported equaling the number of shares in the LGIP. The LGIP measures its investments at amortized cost in accordance with guidance set forth by GASB, as amended by Statements No. 72 and No. 79, and the investments are limited to high quality obligations with limited and average maturities, which minimizes both credit and market risk.

The LGIP has a minimum transaction size, deposit or withdrawal, of $5,000, and while there is not currently a maximum transaction size, the LGIP does request pool participants to provide them with a least a one-day notice for deposits or withdrawals of $10 million or more. The LGIP participants are limited to one transaction per day. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The College adjusts its LGIP investment amounts monthly to reflect interest earnings as reported from the Office of the State Treasurer.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the OST, PO Box 40200, Olympia, Washington 98504-0200, or online at: https://tre.wa.gov/partners/for-local-governments/local-government-investment-pool-lgip/lgip-comprehensive-annual-financial-report/. In addition, more information is available regarding the LGIP in the Washington State Consolidated Annual Financial report, which can be found online at http://www.ofm.wa.gov/cafr/.

As of June 30, 2018, the carrying amount of the College's cash and cash equivalents was $16,816,848. The restricted cash included in total cash consists of amounts restricted for loans and institutional financial aid funds per RCW 28B.15.820, and amounts held for retainage. The classification is represented in the table below.

Cash and Cash Equivalents	**2018**
Local Government Investment Pool	$ 15,273,902
Bank Demand	125,859
Restricted Cash - Held for Financial Aid	1,073,778
Restricted Cash - Held for Retainage	324,309
Petty Cash and Change Funds	19,000
Total Cash and Cash Equivalents	**16,816,848**

Custodial Credit Risks—Deposits

Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure, the College's deposits may not be returned to it. All of the College's demand deposits are with 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, 2018, the college did not have any investments other than the LGIP.

Investment Expenses

Investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2018 were $1,215.

4. Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenses made according to sponsored agreements. At June 30, 2018, accounts receivable were as follows:

Accounts Receivable		**2018**
Due from State Appropriation	$	3,140,152
Student Tuition and Fees		1,280,385
Due from Other State Agencies		580,292
Due from Federal Government		205,533
Auxiliary Enterprises		9,464
Other		350,484
Subtotal	$	5,566,310
Less Allowance for Uncollectible Accounts		(657,500)
Accounts Receivable, net	**$**	**4,908,810**

5. Loans Receivable

Loans receivable as of June 30, 2018 consisted primarily of student loans, as follows.

Loans Receivable		**2018**
Student Loans Receivable	$	26,456
Less Allowance for Uncollectible Accounts	$	(3,824)
Loans Receivable, net	**$**	**22,632**

6. Inventories

Merchandise inventories, stated at cost using the FIFO method, consisted of the following as of June 30, 2018:

Inventories		**2018**
Consumable Inventories	$	9,372
Merchandise Inventories	$	732,079
Inventories	**$**	**741,451**

7. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2018 is presented as follows. The current year depreciation expense was $4,529,212.

Capital Assets	**Balance at June 30, 2017**	**Additions/ Transfers**	**Retirements**	**Balance at June 30, 2018**
Nondepreciable capital assets				
Land	$ 11,021,429	$ -	$ -	$ 11,021,429
Construction in progress	5,065,860	(5,065,860)	-	0
Subtotal	16,087,289	(5,065,860)	-	11,021,429
Depreciable capital assets				
Buildings	160,812,153	10,512,639	-	171,324,792
Improvements and infrastructure	7,260,924	0	-	7,260,924
Equipment	9,263,245	738,829	(378,972)	9,623,102
Library resources	3,920,704	72,502	-	3,993,206
Subtotal	181,257,026	11,323,970	(378,972)	192,202,024
Less accumulated depreciation				
Buildings	46,119,531	3,679,651	-	49,799,182
Improvements and infrastructure	4,079,979	266,907	-	4,346,886
Equipment	6,915,036	523,225	(367,363)	7,070,898
Library resources	3,681,018	59,429	-	3,740,447
Total accumulated depreciation	60,795,564	4,529,212	(367,363)	64,957,413
Total depreciable capital assets	120,461,462	6,794,758	(11,609)	127,244,611
Capital assets, net of accumulated depreciation	**$ 136,548,751**	**$ 1,728,898**	**$ (11,609)**	**$ 138,266,040**

8. 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 reporting period(s) and so will not be recognized as an outflow of resources (expense) 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 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 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.

Deferred outflows related to OPEB are recorded to reflect plan contributions made after the measurement date and reduce OPEB 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 reporting 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 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 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.

Deferred inflows related to OPEB are related to the College's proportionate share of the changes in assumptions.

9. Accrued Liabilities

At June 30, 2018, accrued liabilities are the following:

Accrued Liabilities		**2018**
Amounts Owed to Employees	$	2,080,319
Amounts Held for Others and Retainage		890,883
Total Accrued Liabilities	**$**	**2,971,202**

10. Unearned Revenue

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

Unearned Revenue		2018
Summer and Fall Quarter Tuition and Fees	$	1,716,372
Other Deposits		43,515
Total Unearned Revenue	**$**	**1,759,887**

11. Risk Management

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

The College purchases commercial property insurance through the master property program administered by the Department of Enterprise Services. 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 three buildings and the contents of eight buildings. 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.

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, 2017 through June 30, 2018, were $168,173. Cash reserves for unemployment compensation for all employees at June 30, 2018, were fully utilized, however will be replenished through the monthly payroll expense assessment.

12. 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. 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. The accrued leave liability is shown below, as of June 30:

Leave Type		2018		2017		Change
Vacation		$1,680,250		$1,569,124		$111,126
Sick		3,995,075		3,774,341		220,734
Compensatory		-		-		0
Total		**$5,675,325**		**$5,343,465**		**$331,860**
Current Portion	$	361,749	$	346,579	$	15,170
Long Term Portion	$	5,313,576	$	4,996,886	$	316,690

13. 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, 2018, the minimum lease payments under operating leases consist of the following:

Leases Payable

Fiscal Year		Equipment Leases		Property Leases
2019		132,331		355,758
2020		132,331		355,758
2021		23,479		355,758
2022		-		355,758
2023		-		88,940
Total minimum lease payments	**$**	**288,141**	**$**	**1,511,972**

14. Certificates of Participation Payable

In August 2016, the College obtained financing for a lighting, plumbing, and HVAC control upgrade through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $496,205. The amount financed was $440,000, as the bond sold for a premium of $66,437, which the College will amortize over the life of the COP. The interest rate charged is 1.8536% and is for a 12-year term.

In February 2017, the College obtained financing to renovate the Gaiser Hall Culinary Arts Facility through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $8,500,000. The amount financed was $7,350,000, as the bond sold for a premium of $1,168,215, which the College will amortize over the life of the COP. The interest rate charged is 2.27373% and is for a 10-year term. For FY 2018, interest accrued during construction, less interest earnings and current year amortization, were capitalized in the amount of $80,495.

The College's debt service requirements for these note agreements are as follows in Note 15.

15. Annual Debt Service Requirements

Future debt service requirements for certificates of participation at June 30, 2018 are as follows:

Fiscal year		Principal		Interest		Total
2019	$	655,000	$	360,050	$	1,015,050
2020		690,000		327,300		1,017,300
2021		720,000		292,800		1,012,800
2022		755,000		256,800		1,011,800
2023		795,000		219,050		1,014,050
2024		835,000		179,300		1,014,300
2025		875,000		137,550		1,012,550
2026		920,000		93,800		1,013,800
2027		965,000		47,800		1,012,800
2028		45,000		900		45,900
Total	**$**	**7,255,000**	**$**	**1,915,350**	**$**	**9,170,350**

16. Schedule of Long Term Liabilities

	Balance outstanding 6/30/17	Additions	Reductions	Balance outstanding 6/30/18	Current portion
Certificates of Participation	$ 7,765,000	$ -	$ 510,000	$ 7,255,000	$ 655,000
Compensated Absences	$ 5,343,465	$ 2,216,004	$ 1,884,144	$ 5,675,325	$ 361,749
Total pension obligation	$ 4,159,228	$ 316,438	$ 719,294	$ 3,756,372	$ 68,802
Net pension obligation	$ 15,017,965	$ 3,046,703	$ 6,399,195	$ 11,665,473	$ -
OPEB obligation	$ 39,087,357	$ 3,541,266	$ 6,553,372	$ 36,075,251	$ 3,541,266
Unamortized Premium	$ 1,190,999	$ -	$ 122,476	$ 1,068,523	$ -
Total	**$ 72,564,014**	**$ 9,120,411**	**$ 16,188,481**	**$ 65,495,944**	**$ 4,626,817**

17. Pension Liability

Pension liabilities reported as of June 30, 2018 consists of the following:

Pension Liability by Plan

PERS 1	$	5,475,631
PERS 2/3		5,073,661
TRS 1		849,358
TRS 2/3		266,823
SBRP		3,756,372
Total	**$**	**15,421,845**

18. Retirement Plans

A. General

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 Systems. The State Board Retirement Plan (SBRP) is a defined contribution single employer pension plan with a supplemental payment when required. SBRP is administered by the State Board for Community and Technical Colleges (SBCTC) and available to faculty, exempt administrative and professional staff of the state's public community and technical colleges. The College reports its proportionate share of the total pension liability as it is a part of the college system.

For fiscal year 2018, the covered payroll for the College's retirement plans was as follows:

Covered Payroll by Plan

PERS	$	14,808,575
TRS		1,801,142
SBRP		24,536,498
Total Covered Payroll	**$**	**41,146,215**

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 and No. 73 for Clark College, for reported year ending June 30, 2018:

Aggregate Pension Amounts - All Plans

Pension liabilities	$	15,421,845
Deferred outflows of resources related to pensions	$	2,796,742
Deferred inflows of resources related to pensions	$	3,675,968
Pension expense	$	1,080,636

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. The College implemented Statement No. 73 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* for the fiscal year 2017 financial reporting. The College has elected to use the current fiscal year end as the measurement date for reporting net pension liabilities for the State Board Supplemental Retirement Plan in alignment with the State CAFR.

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

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, 2018, 2017, and 2016 are as follows:

Contribution Rates at June 30

	FY 2016		**FY 2017**		**FY 2018**	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	6.00%	11.18%	6.00%	11.18%	6.00%	12.70%
Plan 2	6.12%	11.18%	6.12%	11.18%	7.38%	12.70%
Plan 3	5 - 15%	11.18%	5 - 15%	11.18%	5 - 15%	12.70%
TRS						
Plan 1	6.00%	13.13%	6.00%	13.13%	6.00%	15.20%
Plan 2	5.95%	13.13%	5.95%	13.13%	7.06%	15.20%
Plan 3	5-15%	13.13%	5-15%	13.13%	5-15%	15.20%

	FY 2016		FY 2017		FY 2018	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	$6,887	$12,833	$6,159	$11,475	$6,233	$13,193
Plan 2	$587,476	$1,073,086	$610,997	$1,116,377	$733,255	$1,261,891
Plan 3	$280,619	$472,984	$290,420	$485,428	$319,677	$607,120
TRS						
Plan 1	$1,692	$3,613	$0	$0	$0	$0
Plan 2	$8,210	$18,025	$8,667	$19,126	$10,175	$21,970
Plan 3	$93,491	$163,032	$112,198	$187,243	$137,948	$249,736

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, 2017, 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	13.84%
PERS Plan 2/3	14.11%
TRS Plan 1	14.45%
TRS Plan 2/3	14.10%

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, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
Total	**100%**	

The inflation component used to create the above table is 2.20 percent and represents WSIB's most recent long-term estimate of broad economic inflation.

Actuarial Assumptions
The net pension liability was determined by an actuarial valuation as of June 30, 2016 with the results rolled forward to the June 30, 2017 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.

Changes in methods and assumptions since the last valuation include:

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- The average expected remaining service lives calculation was revised. It is used to recognize the changes in pension expense to no longer discount future years of service back to the present day.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The discount rate used to measure the net 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	$	6,670,364	$	5,475,631	$	4,440,735
PERS Plan 2/3	$	13,668,977	$	5,073,661	$	(1,968,923)
TRS Plan 1	$	1,056,157	$	849,358	$	670,357
TRS Plan 2/3	$	906,228	$	266,823	$	(252,493)

Pension Expense

Pension expense is included as part of "Employee benefits" expense in the statement of revenues, expenses and changes in net position. The following table shows the pension expense the College recognized for the year ended June 30, 2018:

		Pension Expense
PERS Plan 1	$	260,330
PERS Plan 2/3	$	617,429
TRS Plan 1	$	41,065
TRS Plan 2/3	$	108,105

Proportionate Shares of Pension Liabilities

The College's proportionate share of pension liabilities for fiscal years ending June 30, 2016 and June 30, 2017 for each retirement plan are listed below:

Plan	2016	2017	Change
PERS 1	0.116781%	0.115396%	-0.001385%
PERS 2/3	0.146773%	0.146025%	-0.000748%
TRS 1	0.028512%	0.028094%	-0.000418%
TRS 2/3	0.027884%	0.028910%	0.001026%

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

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

The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2018:

	PERS 1		PERS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 514,082	$ 166,864
Difference between expected and actual earnings of pension plan investments	$ -	$ 204,336	$ -	$ 1,352,516
Changes of Assumptions	$ -	$ -	$ 53,892	$ -
Changes in College's proportionate share of pension liabilities	$ -	$ -	$ 22,489	$ 212,974
Contributions to pension plans after measurement date	$ 748,721	$ -	$ 1,090,065	$ -
	$ 748,721	**$ 204,336**	**$ 1,680,527**	**$ 1,732,354**

	TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 66,537	$ 13,612
Difference between expected and actual earnings of pension plan investments	$ -	$ 35,983	$ -	$ 96,563
Changes of Assumptions	$ -	$ -	$ 3,144	$ -
Changes in College's proportionate share of pension liabilities	$ -	$ -	$ 32,532	$ 2,525
Contributions to pension plans after measurement date	$ 127,044	$ -	$ 138,236	$ -
	$ 127,044	**$ 35,983**	**$ 240,450**	**$ 112,700**

The $2,104,066 reported as deferred outflows of resources above represent the College's contributions made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2019.

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
2019	(138,118)	(633,191)	(26,430)	(26,914)
2020	43,606	73,548	9,895	23,494
2021	(10,125)	(128,973)	(880)	(1,571)
2022	(99,699)	(548,358)	(18,568)	(35,610)
2023	-	41,340	-	6,274
thereafter	-	53,742	-	23,840
	$ (204,336)	**$ (1,141,892)**	**$ (35,983)**	**$ (10,487)**

C. College Participation in Plan Administered by the State Board for Community and Technical Colleges

State Board Retirement Plan (SBRP) – Supplemental Defined Benefits Plans

Plan Description. The State Board Retirement Plan is a privately administered single-employer defined contribution plans with a supplemental defined benefit plan component, which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. Clark College participates in this plan as authorized by chapter 28B.10 RCW and reports its proportionate share of the total pension liability The State Board for Community and Technical Colleges makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals, no assets are accumulated in trusts or equivalent arrangements.

Clark College participate in this plan as authorized by chapter 28B.10 RCW, the plan covers faculty and other positions as designated by each participating employer.

Benefits Provided. The State Board Supplemental Retirement Plans provide retirement, disability, and death benefits to eligible members.

As of July 1, 2011, the State Board Supplemental Retirement Plan was closed to new entrants.

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2018, supplemental benefits were paid by the SBCTC on behalf of the system as a total in the amount of $1,300,123. The College's share of this amount was $56,018. 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 2018, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $118,914. This amount was not used as a part of GASB 73 calculations, its status as an asset has not been determined by the Legislature. As of June 30, 2018, the SBCTC system accounted for $16,351,270 of the fund balance.

Members are eligible to receive benefits under this plan at age 62 with 10 years of credited service. The supplemental benefit is a lifetime benefit equal to the amount a member's goal income exceeds their assumed income. The monthly goal income is the one-twelfth of 2 percent of the member's average annual salary multiplied by the number of years of service (such product not to exceed one-twelfth of fifty percent of the member's average annual salary). The member's assumed income is an annuity benefit the retired member would receive from their defined contribution Retirement Plan benefit in the first month of retirement had they invested all employer and member contributions equally between a fixed income and variable income annuity investment.

Plan members have the option to retire early with reduced benefits.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016. Update procedures were used to roll forward the total pension liability to the June 30, 2018 measurement date using the following actuarial assumptions, applied to all periods included in the measurement :

Salary increases	3.50% - 4.25%
Fixed Income and Variable Income Investment Returns	4.25%-6.25%

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

Most actuarial assumptions used in the June 30, 2016, valuation were based on the results of the April 2017 Supplemental Plan Experience Study. Additional assumptions related to the fixed income and variable income investments were based on feedback from financial administrators of the State Board Supplemental Retirement Plan.

Material assumption changes during the measurement period include the discount rate increase from 3.58 percent to 3.87 percent and the variable income investment return assumption dropping from 6.75 percent to 6.25 percent.

Discount Rate

The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.87 percent for the June 30, 2018, measurement date.

Pension Expense

For the year ended June 30, 2018, the College will recognize the following amounts in pension expense in the State Board Supplemental Retirement Plans:

Clark College		
Proportionate Share (%)		**4.309100%**
Service Cost	$	164,895
Interest Cost		151,539
Amortization of Differences Between Expected and Actual Experience		(199,684)
Amortization of Changes in Assumptions		(52,858)
Amortization of Changes in Proportion		(10,197)
Administrative Expenses		12
Total SBRP Expense	**$**	**53,707**

Proportionate Shares of Pension Liabilities
The College's proportionate share of pension liabilities for fiscal year ending June 30, 2018 was 4.309100%. 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 College's. The changes to the College's proportionate share of the total pension liability from 2017 to 2018 for the SRP is listed as follows:

Change in Proportionate Share (%)

2017	2018	Change
4.375831%	4.309100%	-0.066731%

Plan Membership
Membership of the State Board Supplemental Retirement Plan (SBRP) consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

Number of Participating Members

Plan	Inactive Members (or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled to But Not Yet Receiving Benefits	Active Members	Total Members
SBRP-Clark College	23	0	294	317

Change in Total Pension Liability
The following table presents the College's proportionate share of the change in total pension liability of State Board Supplemental Retirement Plans at June 30, 2018, the latest measurement date for all plans:

Change in Total Pension Liability

Total Pension Liability		Amount
Service Cost	$	164,899
Interest		151,539
Changes of benefit terms		-
Differences between expected and actual experience		(448,208)
Changes of assumptions		(151,634)
Benefit Payments		(56,024)
Change in proportionate share		(63,428)
Other		-
Net Change in Total Pension Liability		(402,856)
Total Pension Liability - Beginning		4,159,228
Total Pension Liability - Ending	**$**	**3,756,372**

Sensitivity of the Total Pension Liability to Changes in the Discount Rate
The following table presents the total pension liability, calculated using the discount rate of 3.87 percent, as well as what the employers' total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Pension Plan	**(2.87%)**	**(3.87%)**	**(4.87%)**
SBRP	$ 4,284,452	$ 3,756,372	$ 3,317,145

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
The following represents the components of the College's deferred outflows and inflows of resources as it relates to the State Board Supplemental Retirement Plan, as reflected on the Statement of Net Position, for the year ended June 30, 2018:

	SBRP	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ 1,196,680
Changes of Assumptions	$ -	$ 322,536
Changes in College's proportionate share of pension liabilities	$ -	$ 71,379
Contributions to pension plans after measurement date	$ -	$ -
	$ -	**$ 1,590,595**

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

	SBRP
2019	(262,739)
2020	(262,739)
2021	(262,739)
2022	(262,739)
2023	(262,739)
Thereafter	(276,900)
	$ (1,590,595)

The change in Clark College's proportionate share in total pension liability of State Board Supplemental Retirement Plans and deferred inflows and deferred outflows of resources based on measurement date are representing in the following table:

Clark College		
Proportionate Share (%) 2017		**4.375831%**
Proportionate Share (%) 2018		**4.309100%**
Total Pension Liability SBRP - Ending 2017	$	4,159,228
Total Pension Liability SBRP - Beginning 2018		4,095,800
Total Pension Liability - SBRP Change in Proportion		(63,428)
Total Deferred Inflows/Outflows - 2017		1,190,051
Total Deferred Inflows/Outflows - 2018		1,171,903
Total Deferred Inflows/Outflows Change in Proportion		(18,148)
Total Change in Proportion	**$**	**(81,576)**

D. Defined Contribution Plans

Public Employees' Retirement System Plan 3

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to Note 18.B for PERS Plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in PERS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from PERS-covered employment.

Teachers' Retirement System Plan 3

The Teachers' Retirement System (TRS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer Note 18.B for TRS Plan descriptions.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of TRS Plan 3.

TRS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, TRS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in TRS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from TRS-covered employment.

State Board Retirement Plan

Plan Description. As authorized by chapter 28B.10 RCW, 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, 2018 were each $2,100,475 and $2,100,493, respectively.

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.

19. Other Post-Employment Benefits

The College implemented Statement No. 75 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for FY 2018 financial reporting. In addition to pension benefits as described in Note 18, the College, through the Health Care Authority (HCA), administers a single employer defined benefit other postemployment benefit (OPEB) plan.

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

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs.

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

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

Summary of Plan Participants
As of June 30, 2017

Active Employees	123,379
Retirees Receiving Benefits*	46,180
Retirees Not Receiving Benefits**	6,000
Total Active Employees and Retirees	175,559

*Enrollment data for June, 2017 from Report 1: PEBB Total Member Enrollment for June 2017 Coverage report. PEBB Retirees only.

**This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future.

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

Benefits Provided. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2016, the average weighted implicit subsidy was valued at $304 per member per month, and in calendar year 2017, the average weighted implicit subsidy is projected to be $328 per adult unit per month. Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2016, the explicit subsidy was up to $150 per member per month, and it remained up to $150 per member per month in calendar years 2017 and 2018. This will increase in calendar year 2019 to up to $168 per member per month.

Contribution Information. Administrative costs as well as implicit and explicit subsidies are funded by required contributions (RCW 41.05.050) from participating employers. The subsidies provide monetary assistance for medical benefits.

Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis. The College paid $8,124,823 for healthcare expenses in 2017, and $8,260,063 for healthcare expenses in 2018; both of which included its pay-as-you-go portion of the OPEB liability.

For calendar year 2017, the estimated monthly cost for PEBB benefits for each active employees (average across all plans and tiers) is as follows (expressed in dollars):

Required Premium*		
Medical	$	1,024
Dental		79
Life		4
Long-term Disability		2
Total		1,109
Employer contribution		959
Employee contribution		151
Total	$	1,110

*Per 2017 PEBB Financial Projection Model 8.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2017 which includes projected claims cost at the time of this reporting.

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

Total OPEB Liability
As of June 30, 2018, the state reported a total OPEB liability of $5.83 billion. The College's proportionate share of the total OPEB liability is $36,075,251. This liability was determined based on a measurement date of June 30, 2017.

Actuarial Assumptions. Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The total OPEB liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	3%
Projected Salary Changes	3.75% Plus Service-Based Salary Increases
Health Care Trend Rates*	Trend rate assumptions vary slightly by medical plan. Initial rate is approximately 7%, reaching an ultimate rate of approximately 5% in 2080
Post-Retirement Participation Percentage	65%
Percentage with Spouse Coverage	45%

*For additional detail on the health care trend rates, please see Office of the State Actuary's 2017 OPEB Actuarial Valuation Report.

In projecting the growth of the explicit subsidy, the cap is assumed to remain constant until 2019, at which time the explicit subsidy cap is assumed to grow at the health care trend rates. The Legislature determines the value of cap and no future increases are guaranteed, however based on historical growth patterns, future increases to the cap are assumed.

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

Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based on the results of the 2007-2012 Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage, were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2015 Economic Experience Study.

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

Actuarial Valuation Date	1/1/2017
Actuarial Measurement Date	6/30/2017
Actuarial Cost Method	Entry Age
Amortization Method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset Valuation Method	N/A - No Assets

In order to calculate the beginning total OPEB liability balance under GASB 75, the January 1, 2017 actuarial valuation was projected backwards to the measurement date of June 30, 2016, while the ending balance was determined by projecting the January 1, 2017 valuation forward to June 30, 2017. Both the forward and backward projections reflect the plan's assumed service cost, assumed interest, and expected benefit payments.

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 2.85 percent for the June 30, 2016 measurement date and 3.58 percent for the June 30, 2017 measurement date.
Additional detail on assumptions and methods can be found on OSA's website:
http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx

Changes in Total OPEB Liability

As of June 30, 2018, components of the calculation of total OPEB lability determined in accordance with GASB Statement No. 75 for the College are represented in the following table:

Clark College

Proportionate Share (%)		**0.6192301769%**
Service Cost	$	2,445,682
Interest Cost		1,145,572
Differences Between Expected and Actual Experience		-
Changes in Assumptions*		(5,588,122)
Changes of Benefit Terms		-
Benefit Payments		(583,802)
Changes in Proportionate Share		(1,030,806)
Other		-
Net Change in Total OPEB Liability		(3,611,476)
Total OPEB Liability - Beginning		39,686,727
Total OPEB Liability - Ending	**$**	**36,075,251**

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

Changes in assumptions resulted from an increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index discount rate resulting in an overall decrease in total OPEB liability for the measurement date of June 30, 2017.

Sensitivity of the Total Liability to Changes in the Discount Rate. The following represents the total OPEB liability of Clark College, calculated using the discount rate of 3.58 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

Discount Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 44,016,260	$ 36,075,251	$ 29,930,185

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of Clark College, calculated using the health care trend rates of 7.00 percent decreasing to 5.00 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (6.00 percent decreasing to 4.00 percent) or 1 percentage point higher (8.0 percent decreasing to 6.00 percent that the current rate:

Health Care Cost Trend Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 29,143,838	$ 36,075,251	$ 45,377,825

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

For the year ending June 30, 2018, the College will recognize OPEB expense of $2,857,548. OPEB expense consists of the following elements:

Clark College

Proportionate Share (%)	**0.6192301769%**
Service Cost	$ 2,445,682
Interest Cost	1,145,572
Amortization of Differences Between Expected and Actual Experience	-
Amortization of Changes in Assumptions	(620,902)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	(112,804)
Administrative Expenses	-
Total OPEB Expense	**$ 2,857,548**

As of June 30, 2018, the deferred inflows and deferred outflows of resources for Clark College are as follows:

Clark College				
Proportionate Share (%)	**0.6192301769%**			
Deferred Inflows/Outflows of Resources	**Deferred Inflows**		**Deferred Outflows**	
Difference between expected and actual experience	$	-	$	-
Changes in assumptions		4,967,220		-
Transactions subsequent to the measurement date		-		570,914
Changes in proportion		902,434		-
Total Deferred Inflows/Outflows	**$**	**5,869,654**	**$**	**570,914**

Amounts reported as deferred outflow of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense in subsequent years for the College as follows:

Clark College		
Proportionate Share (%)	**0.6192301769%**	
2019	$	(733,706)
2020	$	(733,706)
2021	$	(733,706)
2022	$	(733,706)
2023	$	(733,706)
Thereafter	$	(2,201,124)
	$	**(5,869,654)**

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

Clark College		
Proportionate Share (%) 2016		**0.6357426819%**
Proportionate Share (%) 2017		**0.6192301769%**
Total OPEB Liability - Ending 2016	$	39,686,727
Total OPEB Liability - Beginning 2017		38,655,921
Total OPEB Liability Change in Proportion		(1,030,806)
Total Deferred Inflows/Outflows - 2016		599,370
Total Deferred Inflows/Outflows - 2017		583,802
Total Deferred Inflows/Outflows Change in Proportion		(15,568)
Total Change in Proportion	**$**	**(1,015,238)**

20. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, 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, 2018.

Expenses by Functional Classification		
Instruction	$	35,745,119
Academic Support Services		9,184,409
Student Services		9,271,698
Institutional Support		12,735,347
Operations and Maintenance of Plant		6,871,542
Scholarships and Other Student Financial Aid		14,599,066
Auxiliary enterprises		8,146,860
Depreciation		4,529,212
Total Operating Expenses	**$**	**101,083,253**

21. Commitments and Contingencies

A $2.75 million tort claim filed against the College last year is still unresolved. In this claim a former employee alleges she was subjected to disparate treatment, contract breach, discrimination, defamation, and civil rights violations, among other charges. The College continues to work with the Attorney General’s office on this claim. Additionally, the College is engaged in various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of these action will have a material adverse effect on the financial statements.

As discussed in Note 11, the College participates in the State of Washington risk management self-insurance program, and coverage is adequate to protect the College from a negative impact to its financial position.

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Required Supplementary Information

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

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.126007%	$ 6,347,662	$ 13,737,461	46.21%	61.19%
2015	0.119202%	$ 6,235,373	$ 13,482,980	46.25%	59.10%
2016	0.116781%	$ 6,271,681	$ 13,828,741	45.35%	57.03%
2017	0.115396%	$ 5,475,631	$ 14,419,186	37.97%	61.24%
2018					
2019					
2020					
2021					
2022					
2023					

*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					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.158501%	$ 3,203,878	$ 13,594,117	23.57%	93.29%
2015	0.150332%	$ 5,371,449	$ 13,339,404	40.27%	89.20%
2016	0.146773%	$ 7,389,896	$ 13,712,161	53.89%	85.82%
2017	0.146025%	$ 5,073,661	$ 14,316,617	35.44%	90.97%
2018					
2019					
2020					
2021					
2022					
2023					

*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					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.026433%	$ 779,629	$ 1,189,441	65.55%	68.77%
2015	0.026463%	$ 838,385	$ 1,267,135	66.16%	65.70%
2016	0.028512%	$ 973,463	$ 1,400,943	69.49%	62.07%
2017	0.028094%	$ 849,358	$ 1,590,618	53.40%	65.60%
2018					
2019					
2020					
2021					
2022					
2023					

*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					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.026905%	$ 86,900	$ 1,159,481	7.49%	96.81%
2015	0.026383%	$ 222,620	$ 1,232,234	18.07%	92.48%
2016	0.027884%	$ 382,925	$ 1,374,104	27.87%	88.72%
2017	0.028910%	$ 266,823	$ 1,589,505	16.79%	93.10%
2018					
2019					
2020					
2021					
2022					
2023					

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

Pension Plan Information

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions

Public Employees' Retirement System (PERS) Plan 1

Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 557,742	$ 557,742	$ -	$13,737,461	4.06%
2015	$ 547,849	$ 547,849	$ -	$13,482,980	4.06%
2016	$ 662,258	$ 662,258	$ -	$13,828,741	4.79%
2017	$ 694,134	$ 694,134	$ -	$14,419,186	4.81%
2018	$ 748,720	$ 748,720	$ -	$14,764,631	5.07%
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 payroll	Contributions as a percentage of covered payroll
2014	$ 1,214,484	$ 1,214,484	$ -	$13,594,117	8.93%
2015	$ 1,204,544	$ 1,204,544	$ -	$13,339,404	9.03%
2016	$ 1,496,858	$ 1,496,858	$ -	$13,712,161	10.92%
2017	$ 1,574,755	$ 1,574,755	$ -	$14,316,617	11.00%
2018	$ 1,825,851	$ 1,825,851	$ -	$14,660,814	12.45%
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 payroll	Contributions as a percentage of covered payroll
2014	$ 52,271	$ 52,271	$ -	$ 1,189,441	4.39%
2015	$ 59,219	$ 59,219	$ -	$ 1,267,135	4.67%
2016	$ 64,952	$ 64,952	$ -	$ 1,400,943	4.64%
2017	$ 98,312	$ 98,312	$ -	$ 1,590,618	6.18%
2018	$ 127,044	$ 127,044	$ -	$ 1,790,360	7.10%
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 payroll	Contributions as a percentage of covered payroll
2014	$ 115,350	$ 115,350	$ -	$ 1,159,481	9.95%
2015	$ 125,768	$ 125,768	$ -	$ 1,232,234	10.21%
2016	$ 174,273	$ 174,273	$ -	$ 1,374,104	12.68%
2017	$ 204,687	$ 204,687	$ -	$ 1,589,505	12.88%
2018	$ 265,282	$ 265,282	$ -	$ 1,790,360	14.82%
2019					
2020					
2021					
2022					
2023					

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

State Board Supplemental Defined Benefit Plan

Schedule of Changes in the Total Pension Liability and Related Ratios
For the Fiscal Year Ended June 30

	2017	2018
Total Pension Liability		
Service Cost	$ 237,039	$ 164,899
Interest	153,768	$ 151,539
Changes of benefit terms	-	$ -
Differences between expected and actual experience	(1,108,661)	$ (448,208)
Changes of assumptions	(261,675)	$ (151,634)
Benefit payments	(39,470)	$ (56,024)
Change in proportionate share	-	$ (63,428)
Net Change in Total Pension Liability	**(1,018,999)**	**$ (402,856)**
Total Pension Liability - Beginning	**5,178,227**	**$ 4,159,228**
Total Pension Liability - Ending	**$ 4,159,228**	**$ 3,756,372**
College's Proportion of the Pension Liability	4.375831%	4.309100%
Covered-employee payroll	$ 24,531,125	24536498.35
Total Pension Liability as a percentage of covered-employee payroll	16.954901%	15.309324%

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

State Board Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

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

Other Post Employment Benefits

Schedule of Changes in the Total OPEB Liability and Related Ratios For the Fiscal Year Ended June 30	
	2018
Total Pension Liability	
Service Cost	$ 2,445,682
Interest	$ 1,145,572
Changes of benefit terms	$ -
Differences between expected and actual experience	$ -
Changes of assumptions	$(5,588,122)
Benefit payments	$ (583,802)
Change in proportionate share	$(1,030,806)
Net Change in Total OPEB Liability	**$(3,611,476)**
Total OPEB Liability - Beginning	**$39,686,727**
Total OPEB Liability - Ending	**$36,075,251**
College's Proportion of the OPEB Liability	0.619230%
Covered-employee payroll	$ 40,817,244
Total OPEB Liability as a percentage of covered-employee payroll	88.382378%

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

Notes to Required Supplementary Information

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

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