Clark College

2019 Annual Financial Report

Fiscal Year Ended June 30, 2019

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Clark College

2019 Financial Report

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Trustees and Executive Officers

Trustees and Officer list effective as of December 31, 2019

Independent Auditor's Report on Financial Statements

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

February 13, 2020

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 Clark College, as of and for the year ended June 30, 2019, 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.

Insurance Building, P.O. Box 40021 ▪ Olympia, Washington 98504-0021 ▪ (360) 902-0370 ▪ Pat.McCarthy@sao.wa.gov

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the 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.

Opinions

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 Clark College, as of June 30, 2019, 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 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, andcash 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, 2019, 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

Prior-Year 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, 2018, from which such summarized information was derived. Other auditors have previously audited the Foundation's 2018 basic financial statements and they expressed an unmodified opinion in their report dated November 13, 2018.

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 as a whole. The list of 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 February 13, 2020, 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

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, 2019 (FY 2019). 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 12,000 students. The College confers associates degrees, certificates and high school diplomas. The College was established in 1933. Its primary purpose is to provide opportunities for diverse learners to achieve their educational and professional goals, thereby enriching the social, cultural, and economic environment of our region and the global community.

The College's main campus is located in Vancouver, Washington, a community of about 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 at the Columbia Tech Center location. The College is currently planning for an additional location in north Clark County. 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, 2019. 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.

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 2019		FY 2018
Assets				
Current Assets		24,436,896		22,623,237
Capital Assets, net		134,517,386		138,266,040
Total Assets	**$**	**158,954,282**	**$**	**160,889,277**
Deferred Outflows				
Deferred Outflows Related to Pensions	$	3,431,593	$	2,796,742
Deferred Outflows Related to OPEB	$	1,637,172	$	570,914
Total Deferred Outflows	**$**	**5,068,765**	**$**	**3,367,656**
Liabilities				
Current Liabilities		6,898,901		10,288,895
Other Liabilities, non-current		55,597,977		60,869,127
Total Liabilities	**$**	**62,496,878**	**$**	**71,158,022**
Deferred Inflows				
Deferred Inflows Related to Pensions	$	4,685,600	$	3,675,968
Deferred Inflows Related to OPEB	$	13,317,846	$	5,869,654
Total Deferred Inflows	**$**	**18,003,446**	**$**	**9,545,622**
Net Position				
Net Investment in Capital Assets		127,376,755		130,383,587
Restricted		894,855		1,003,106
Unrestricted		(44,748,887)		(47,833,404)
Total Net Position, as restated		**83,522,723**		**83,553,289**

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The increase of current assets in FY 2019 can be attributed to an increase in the accounts receivable, primarily due to an increase in the receivable due from the State Treasurer related to expenditures at year-end associated with the College's operating allocation.

Net capital assets decreased by $3,748,654 from FY 2018 to FY 2019. After taking into consideration current depreciation expense of $4,322,423 the majority of the increase is the result of the work in progress related to the College's capital project at Boschma Farms.

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 $2,796,742 in FY 2018 and $3,431,593 in FY 2019 of pension-related deferred outflows. The increase in deferred outflows related to pensions reflect the College's proportionate share of an increase in the state-wide amounts reported by the Department of Retirement Services due to differences between projected and actual experience related to the actuarial assumptions. In addition, the College recorded a deferred outflows related to Other Post Employment Benefits (OPEB) in the amount of $1,637,172, which reflects the college's proportionate share of the state-wide difference between expected and actual experiences as well as employer contributions subsequent to the measurement date.

Similarly, the increase in deferred inflows in 2019 reflects the increase in difference between projected and actual investment earnings on the state's pension plans. The College recorded $3,675,968 in FY 2018 and $4,685,600 in FY2019 of pension-related deferred inflows. The increase reflects the change in proportionate share. Additionally, the College recorded a deferred inflows related to OPEB in the amount of $13,317,846, which is related to changes in assumptions as well as the college's change in proportionate liability.

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 decrease in current liabilities from FY 2018 to FY 2019 is primarily the result of GASB Statement No. 75 OPEB liability reporting due to favorable changes in the actuarial assumptions. 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.

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.

Net Position As of June 30th	**FY 2019**	**FY 2018**
Net investment in capital assets	$127,376,755	$130,383,587
Restricted		
Expendable - Grants in Aid	859,851	967,542
Expendable - Student Loans	35,004	35,564
Unrestricted	(44,748,887)	(47,833,404)
Total Net Position	**$83,522,723**	**$83,553,289**

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 2019. 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.

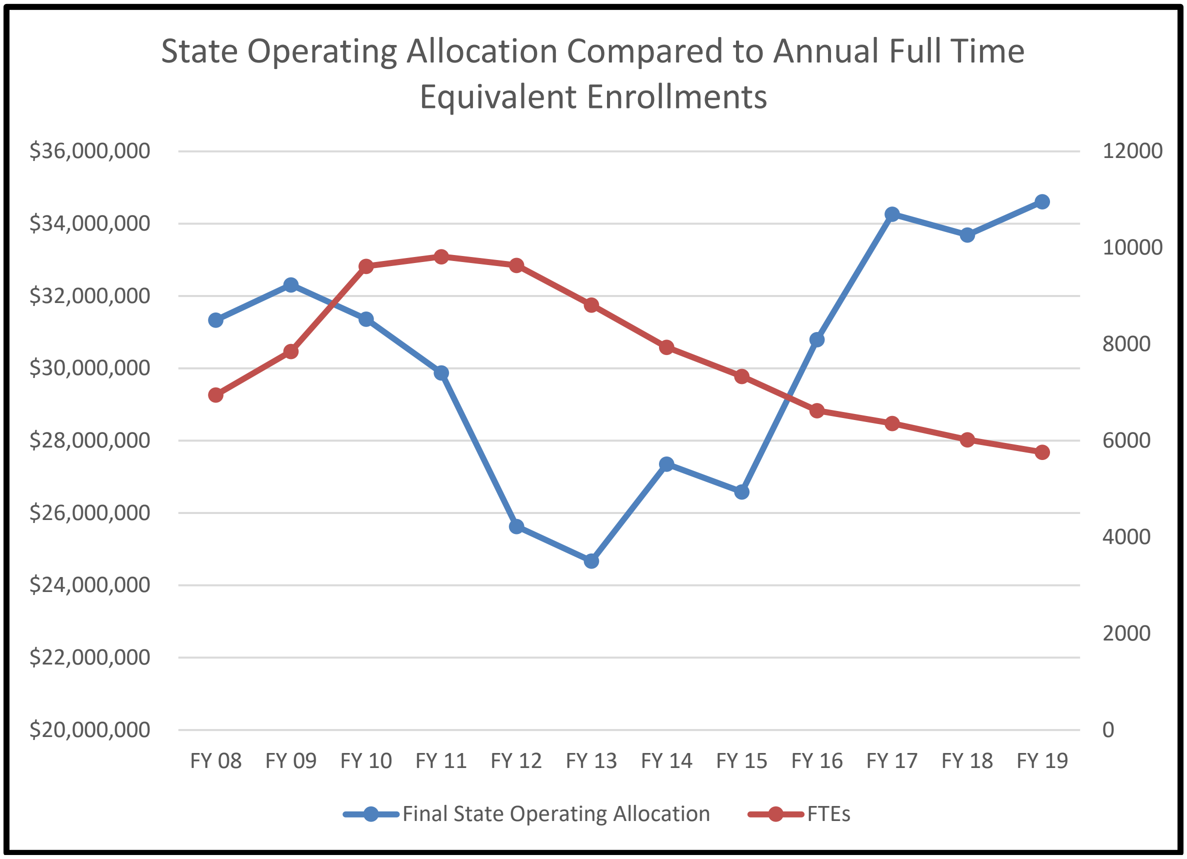
A condensed comparison of the College's revenues, expenses and changes in net position for the years ended June 30, 2019 and 2018 is presented as follows:

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

As of June 30th	FY 2019	FY 2018	Change
Operating Revenues			
Student tuition and fees, net	$ 21,364,524	$ 20,574,862	$ 789,662
Auxiliary enterprise sales	6,035,136	5,937,046	98,090
State and local grants and contracts	26,890,528	23,930,896	2,959,632
Federal grants and contracts	808,403	623,557	184,846
Other operating revenues	240,683	1,187,553	(946,870)
Total operating revenues	**55,339,274**	**52,253,914**	**3,085,360**
Operating Expenses	**(100,227,976)**	**(101,083,253)**	**855,277**
Operating Loss	**(44,888,702)**	**(48,829,339)**	**3,940,637**
Non-operating revenues			
State appropriations	34,613,656	33,689,064	924,592
Federal Pell grant revenue	11,029,047	11,803,483	(774,436)
Investment income, net	325,352	245,144	80,208
Non-operating expenses	(3,226,939)	(3,182,567)	(44,372)
Net non-operating revenues (expense)	**42,741,116**	**42,555,124**	**185,992**
Income (loss) before capital contributions	**(2,147,586)**	**(6,274,215)**	**4,126,629**
Capital Appropriations and Contributions	2,117,020	851,317	1,265,703
Change in Net Position	**(30,566)**	**(5,422,898)**	**5,392,332**
Net Position, Beginning of the Year	**83,553,289**	**128,063,544**	**(44,510,255)**
Change in Accounting Principle	**0**	**(39,087,357)**	**39,087,357**
Net Position, End of the Year	**$ 83,522,723**	**$ 83,553,289**	**$ (30,566)**

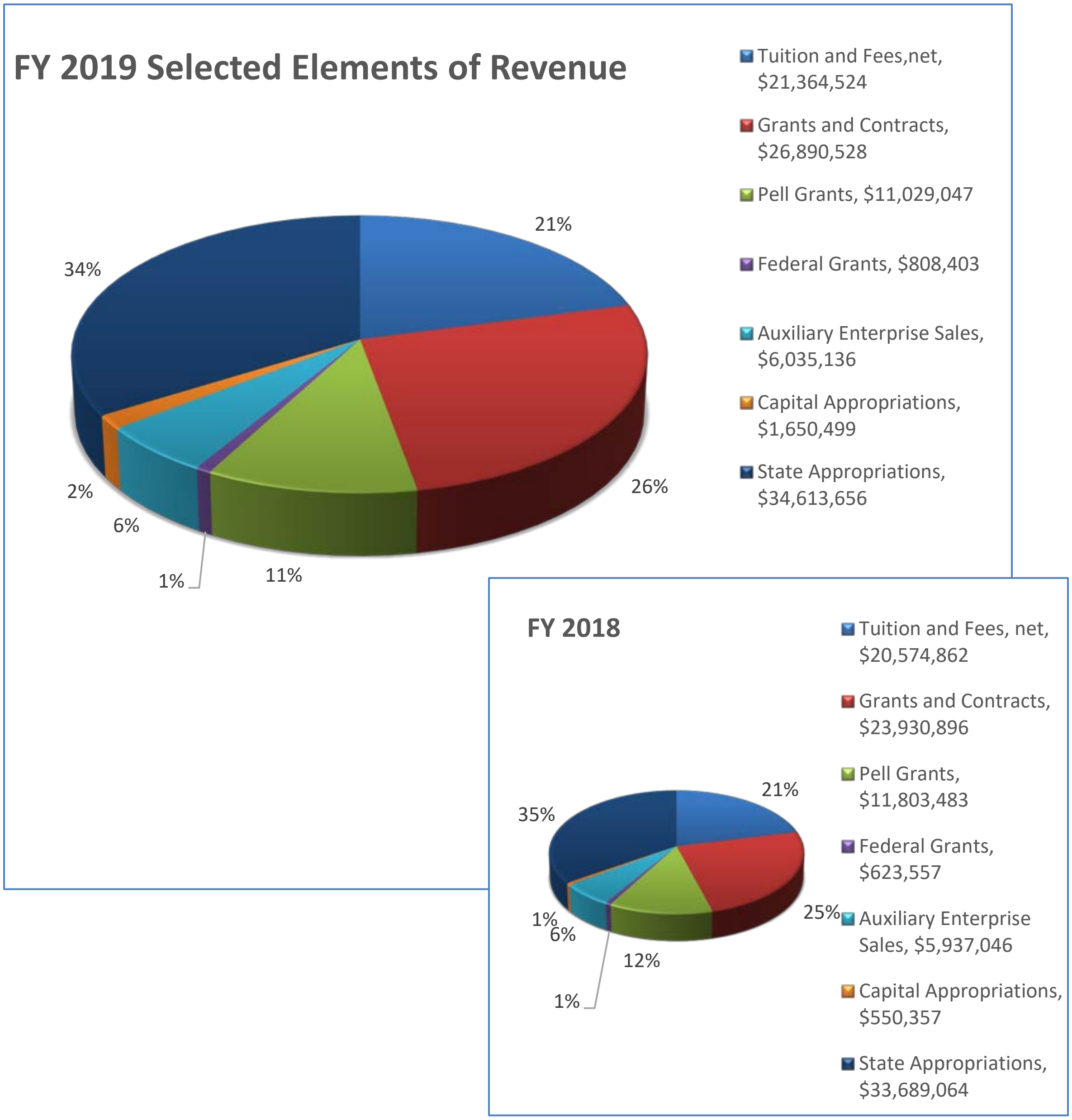
Revenues

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 2019 to reflect a reduction in its funded enrollment target or FTE, and associated funding. The College also reflected an increase in funding related to salary and benefit cost increases.



In FY 2019, the College's increase in tuition and fee revenue is primarily attributable to a 2.2% increase in tuition rates. In addition, the scholarship discount and allowances decreased by nearly $1 million, which is directly related to guidance from the SBCTC related to changing Chapter 33 Veterans Benefits from a third party payment to a direct pass through, Pell Grant revenues declined slightly, as other forms of financial aid were utilized. For FY 2019, the College attempted to keep other fees as stable as possible, resulting in only small changes in these revenues.

In FY 2019, state and local operating grant and contract revenues increased by $2,959,632 when compared with FY 2018. 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.



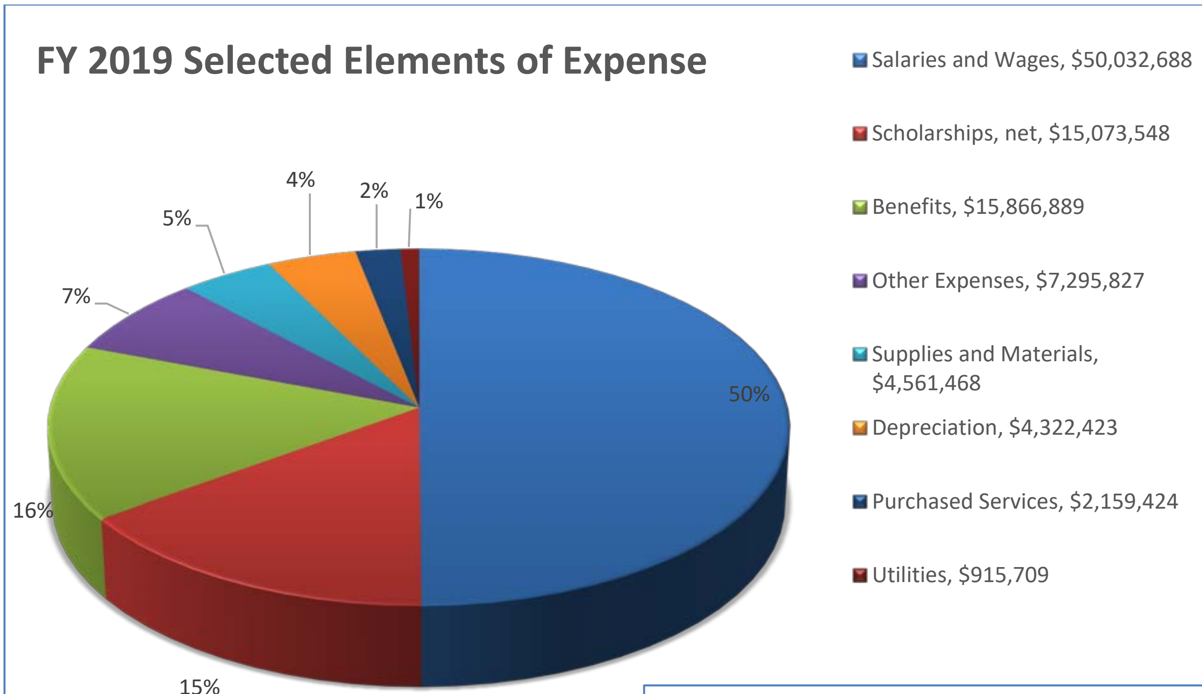
The College receives capital spending authority on a biennial basis. In accordance with accounting standards, the amount shown as capital appropriation revenue on the financial statements is the amount expended in the current year. Expenses from capital project funds that do not meet accounting standards 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.

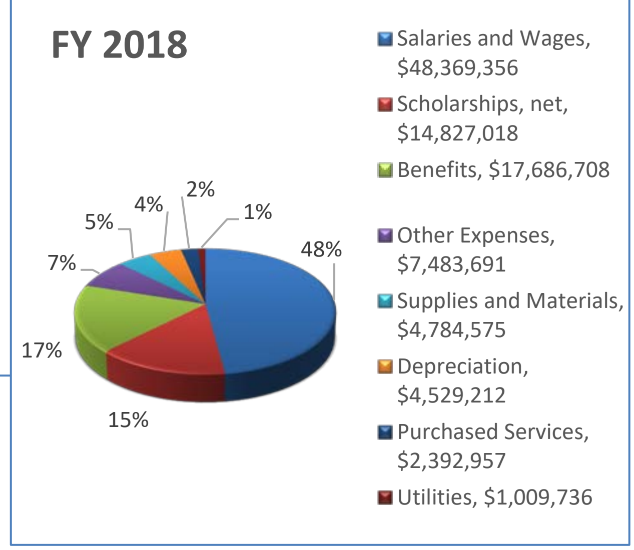
Expenses

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 2019, salary costs increased by over $1.7 million as a direct result of the salary increase appropriated by the Legislature. Benefits decreased by approximately $1.8 million as a result pension accrual adjustments related to GASB 68, 73 and 75.

Scholarships including financial aid increased by approximately $247,000 in FY 2019. The College has continued to educate students on financial literacy, encouraging a reduction in loans taken out by our students. Other Expenses, supplies and materials, purchased services, and utilities combined for a decrease of $738,000, all attributable to the College's continued efforts to operate more efficiently. 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, 2019, the College had invested $134,517,386 in capital assets, net of accumulated depreciation. This represents a decrease of $3,748,654 from last year, as shown in the following table.

Asset Type	June 30, 2019	June 30, 2018	Change
Land	$11,021,429	$11,021,429	$0
Construction in Progress	$358,392	$0	$358,392
Buildings, net	$118,076,042	$121,525,610	-$3,449,568
Other Improvements and Infrastructure, net	$2,649,716	$2,914,038	-$264,322
Equipment, net	$2,171,310	$2,552,204	-$380,894
Library Resources, net	$240,497	$252,759	-$12,262
Total Capital Assets, Net	**$134,517,386**	**$138,266,040**	**-$3,748,654**

The decrease in net capital assets can be primarily attributed annual depreciation expense, but is offset slightly by a construction in process investment in Clark College at Boschma Farms, and normal replacement and acquisition of equipment and library resources. Additional information on capital assets can be found in Note 7.

At June 30, 2019, the College had $6,600,000 in outstanding debt. This represents a decrease of $655,000 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 certificates of participation, long term debt and debt service schedules can be found in Notes 14 and 15 of the Notes to the Financial Statements.

Students performing in the theater production "God Spell"

Economic Factors That May Affect the Future

The 2019 legislative session was one of the most productive for higher education in many years. With passage of HB 2158 in May 2019, the state legislature created - for the first time - a dedicated revenue source for community and technical colleges. This, along with full funding from the state for faculty and staff wage increases, represented a significant investment in the two-year college system.

Locally, Clark College continues to face substantial financial challenges. Enrollment is in its seventh straight year of decline, leaving the college with less tuition revenue at a time of steadily rising operational costs. Additionally on January 16, 2020, the College reached an agreement with the faculty union, to provide salary increases which will impact the College's operating budget commitments.

The College is also closely watching for signs of a possible recession in 2020. While it's not uncommon for college's to experience enrollment growth during an economic downturn, it's also not uncommon for state governments to freeze or cut funding for higher education as revenue shrinks. All of the new investments made in the last legislative session could be at risk if another significant economic slowdown occurs.

The State Board for Community and Technical Colleges has included construction funding for Clark's new, 70,000 square advanced manufacturing center at Boschma Farms as part of its supplemental budget request to the state legislature. If funding is approved, the College could break ground as early as July 2020. This ambitious project will enable the college to serve new enrollments in the high-demand advanced manufacturing field.

College Statement of Net Position

Clark College

Statement of Net Position

As of June 30, 2019

				2019
Assets				
	Current Assets			
		Cash and cash equivalents (Note 3)		10,908,476
		Restricted cash and cash equivalents (Note 3)		959,071
		Accounts receivable, net (Note 4)		11,758,674
		Student loans receivable, net (Note 5)		22,425
		Inventories (Note 6)		708,165
		Prepaid expenses		80,085
			Total current assets	**24,436,896**
	Non-Current Assets			
		Non-depreciable capital assets (Note 7)		11,379,821
		Depreciable capital assets, net (Note 7)		123,137,565
			Total non-current assets	**134,517,386**
			Total assets	**158,954,282**
	Deferred Outflows of Resources			
		Deferred ouflows related to pensions (Note 18)		3,431,593
		Deferred ouflows related to OPEB (Note 19)		1,637,172
			Total deferred ouflows of resources	**5,068,765**
Liabilities				
	Current Liabilities			
		Accounts payable		609,348
		Accrued liabilities (Note 9)		2,677,834
		Compensated absences (Note 12)		421,829
		Deposits payable		128,196
		Unearned revenue (Note 10)		1,711,710
		Certificates of participation, current portion (Note 14 and 15)		690,000
		Total pension liability, current portion (Note 18)		95,333
		OPEB liability, current portion (Note 19)		564,651
			Total current liabilities	**6,898,901**
	Non-Current Liabilities			
		Compensated absences (Note 12)		5,561,942
		Net pension liability, long term portion (Note 18)		8,446,726
		Total pension liability, long term portion (Note 18)		4,545,367
		OPEB liability, long term portion (Note 19)		30,187,894
		Unamortized premium (Note 14 and 16)		946,048
		Certificates of participation, long term portion (Note 14 and 15)		5,910,000
			Total non-current liabilities	**55,597,977**
			Total liabilities	**62,496,878**
	Deferred Inflows of Resources			
		Deferred inflows related to pensions (Note 18)		4,685,600
		Deferred inflows related to OPEB (Note 19)		13,317,846
			Total deferred inflows of resources	**18,003,446**
Net Position				
	Net Investment in Capital Assets			127,376,755
	Restricted for:			
		Expendable		859,851
		Student loans		35,004
	Unrestricted			(44,748,887)
		Total Net Position		**83,522,723**

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

Foundation Statement of Financial Position

Clark College Foundation
Statements of Financial Position
June 30, 2019
(With Summarized Financial Information for June 30, 2018)

	June 30, 2019			June 30, 2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
ASSETS				
Cash	$ 81,766	$ -	$ 81,766	$ 32,573
Investments	17,194,915	67,660,885	84,855,800	83,155,576
Pledges and other receivables, net	265,344	7,132,368	7,397,712	5,163,156
Other assets	312,012	-	312,012	337,341
Split-interest agreements	-	1,880,756	1,880,756	1,182,209
Property and equipment, net	742,649	-	742,649	1,322,215
Land held for contribution and development	12,079,110	-	12,079,110	11,974,992
Total assets	$ 30,675,796	$ 76,674,009	$ 107,349,805	$ 103,168,062
LIABILITIES AND NET ASSETS				
Accounts payable and accrued liabilities	$ 983,157	$ 190,816	$ 1,173,973	$ 986,229
Due to/from	50,588	(50,588)	-	-
Payable for Weber assets	15,899	558,572	574,471	-
Split-interest agreement liabilities	36,950	1,079,853	1,116,803	685,224
Notes payable	-	-	-	2,082,091
Total liabilities	1,086,594	1,778,653	2,865,247	3,753,544
Net assets				
Without donor restrictions	29,589,202	-	29,589,202	29,474,982
With donor restrictions				
Time or purpose restricted	-	15,067,765	15,067,765	15,345,450
Perpetual in nature	-	59,827,591	59,827,591	54,594,086
Total net assets	29,589,202	74,895,356	104,484,558	99,414,518
Total liabilities and net assets	$ 30,675,796	$ 76,674,009	$ 107,349,805	$ 103,168,062

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, 2019

	2019
Operating Revenues	
Student tuition and fees	28,865,280
Less scholarship discounts and allowances	(7,500,756)
Auxiliary enterprise sales	6,035,136
State and local grants and contracts	26,890,528
Federal grants and contracts	808,403
Other operating revenues	240,683
Total operating revenue	**55,339,274**
Operating Expenses	
Salaries and wages	50,032,688
Benefits	15,866,889
Scholarships, net of discounts	15,073,548
Other expense	7,295,827
Supplies and materials	4,561,468
Depreciation	4,322,423
Purchased services	2,159,424
Utilities	915,709
Total operating expenses	**100,227,976**
Operating income (loss)	**(44,888,702)**
Non-Operating Revenues (Expenses)	
State appropriations	34,613,656
Federal Pell grant revenue	11,029,047
Investment income, gains and losses	325,352
Gain on disposal	39,628
Building fee remittance	(2,345,853)
Innovation fund remittance	(563,348)
Interest on indebtedness	(357,366)
Net non-operating revenues (expenses)	**42,741,116**
Income or (loss) before capital contributions	(2,147,586)
Capital appropriations	1,650,499
Capital contribution-Foundation	466,521
Increase (decrease) in net position	**(30,566)**
Net Position	
Net position, beginning of year	83,553,289
Net position, end of year	**83,522,723**

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
Statements of Activities
Year Ended June 30, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)

	June 30, 2019			June 30, 2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT, REVENUE, AND GAINS				
Support				
Contributions	$ 586,858	$ 8,129,022	$ 8,715,880	$ 4,494,363
Donated services and use of facility	58,085	-	58,085	58,085
Total support	644,943	8,129,022	8,773,965	4,552,448
Revenue and gains				
Special events and other	7,805	95,566	103,371	117,169
Loss on disposal of property and equipment	(238)	-	(238)	(45,001)
Investment return, net	2,778,100	528,973	3,307,073	6,676,846
Change in value of split-interest agreements	(4,532)	(78,345)	(82,877)	20,776
Total revenue and gains	2,781,135	546,194	3,327,329	6,769,790
Net assets released from restrictions and other redesignations	3,719,396	(3,719,396)	-	-
Total support, revenue, and gains	7,145,474	4,955,820	12,101,294	11,322,238
EXPENSES				
Program services				
College program and capital support	2,718,910	-	2,718,910	2,492,922
Scholarships	1,174,984	-	1,174,984	960,649
Total program services	3,893,894	-	3,893,894	3,453,571
Supporting services				
Fundraising	1,176,030	-	1,176,030	987,725
Management and general	837,903	-	837,903	837,323
Donation of Weber assets	1,123,427	-	1,123,427	-
Total supporting services	3,137,360	-	3,137,360	1,825,048
Total expenses	7,031,254	-	7,031,254	5,278,619
CHANGE IN NET ASSETS	114,220	4,955,820	5,070,040	6,043,619
NET ASSETS, beginning of year	29,474,982	69,939,536	99,414,518	93,370,899
NET ASSETS, end of year	$ 29,589,202	$ 74,895,356	$ 104,484,558	$ 99,414,518

College Statement of Cash Flows

Clark College

Statement of Cash Flows

For the Years Ended June 30, 2019

	2019
Cash flow from operating activities	
Student tuition and fees, net	21,305,741
Grants and contracts	28,207,150
Payments to vendors	(7,182,328)
Payments for utilities	(980,223)
Payments to employees	(49,701,407)
Payments for benefits	(16,724,830)
Auxiliary enterprise sales	5,960,014
Payments for scholarships	(15,073,548)
Loans issued to students	(48,119)
Collection of loans to students	48,326
Other receipts	(8,683,253)
Net cash used by operating activities	**(42,872,477)**
Cash flow from noncapital financing activities	
State appropriations	29,114,398
Pell grants	11,029,047
Building fee remittance	(2,359,561)
Innovation fund remittance	(551,115)
Principal paid on noncapital debt	(30,000)
Interest paid on noncapital debt	(16,550)
Net cash provided by noncapital financing activities	**37,186,219**
Cash flow from capital and related financing activities	
Capital appropriations	1,449,604
Capital contribution-Foundation	466,521
Purchases of capital assets	(573,770)
Proceeds from the sale of capital assets	35,066
Principal paid on capital debt	(625,000)
Interest paid on capital debt	(340,816)
Net cash used by capital and related financing activities	**411,605**
Cash flow from investing activities	
Income of investments	325,352
Net cash provided by investing activities	**325,352**
Increase (decrease) in cash and cash equivalents	**(4,949,301)**
Cash and cash equivalents at the beginning of the year	**16,816,848**
Cash and cash equivalents at the end of the year	**11,867,547**

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	$	(44,888,702)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense	$	4,322,423
Changes in assets and liabilities		
Receivables, net	$	(1,143,845)
Inventories		33,286
Other assets		53,410
Accounts payable		(200,564)
Accrued liabilities		(415,845)
Deferred revenue		(48,177)
Compensated absences		308,446
Pension liability adjustment expense		(900,410)
Deposits payable		7,294
Loans to students		207
Net cash used by operating activities	**$**	**(42,872,477)**

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, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 5,070,040	$ 6,043,619
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	30,372	42,162
Loss on disposal of property and equipment	238	45,001
Donation of Weber assets	1,123,427	-
Contribution of property and equipment	-	(580,000)
Unrealized loss (gain) on investments	843,904	(525,551)
Realized gain on investments	(4,150,976)	(6,151,295)
Change in value of split-interest agreements	82,877	(20,776)
Contributions restricted to long-term investment	(6,582,984)	(1,752,797)
Change in pledges receivable discount	(137,601)	(150,096)
Increase (decrease) in cash due to changes in		
Pledges and other receivables	(2,096,955)	(559,045)
Other assets	25,329	(216,511)
Split-interest agreements	(781,424)	(107,156)
Accounts payable and accrued liabilities	187,744	454,791
Split-interest agreement liabilities	431,579	134,122
Net cash flows used in operating activities	(5,954,430)	(3,343,532)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, equipment and land held	(104,118)	(39,050)
Proceeds from sale of assets	-	534,998
Purchase of investments	(9,252,786)	(10,469,187)
Proceeds from sale of investments	10,859,634	11,462,761
Net cash flows from investing activities	1,502,730	1,489,522
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(2,082,091)	(399,610)
Contributions restricted to long-term investment	6,582,984	1,752,797
Net cash flows from financing activities	4,500,893	1,353,187
NET CHANGE IN CASH	49,193	(500,823)
CASH, beginning of year	32,573	533,396
CASH, end of year	$ 81,766	$ 32,573
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES		
Noncash contributions	$ 157,909	$ 97,634

Notes to the Financial Statements

June 30, 2019
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, 2019, the Foundation distributed $2,250,145 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 No. 42, the College reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2019, 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* Statement No. 68 (*Accounting and Financial Reporting for Pensions*). The reporting requirements are similar to GASB Statement No. 68 but use current fiscal year end 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, 2019 are $7,500,756.

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 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 has determine that there were no AROs.

Accounting Standard Impacting the Future
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.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the fiscal year ending June 30, 2021. This Statement require that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, these costs will no longer be included in the capitalized cost of capital assets reported by the College. The Statement will be applied on a prospective basis and the interest costs capitalized prior to implementation will continue to be recognized as those assets are depreciated.

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

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

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASB Statement No. 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

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

As of June 30, 2019, the carrying amount of the College's cash and cash equivalents was $11,867,547. The restricted cash included in total cash consists of amounts restricted for loans and institutional financial aid funds per RCW 28B.15.820. The classification is represented in the table below.

Cash and Cash Equivalents		**2019**
Local Government Investment Pool	$	10,058,261
Bank Demand		831,215
Restricted Cash - Held for Financial Aid		959,071
Petty Cash and Change Funds		19,000
Total Cash and Cash Equivalents		**11,867,547**

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 procedures 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, 2019, 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, 2019 were $944.

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, 2019, accounts receivable were as follows:

Accounts Receivable		**2019**
Due from State Appropriation	$	8,841,606
Student Tuition and Fees		1,198,616
Due from Other State Agencies		695,188
Due from Federal Government		734,679
Auxiliary Enterprises		35,257
Other		818,287
Subtotal	$	12,323,633
Less Allowance for Uncollectible Accounts		(564,959)
Accounts Receivable, net	**$**	**11,758,674**

5. Loans Receivable

Loans receivable as of June 30, 2019 consisted of student loans, as follows:

Loans Receivable		**2019**
Student Loans Receivable	$	26,794
Less Allowance for Uncollectible Accounts	$	(4,369)
Loans Receivable, net	**$**	**22,425**

6. Inventories

Merchandise inventories, stated at cost using the FIFO method, consisted of the following as of June 30, 2019:

Inventories		**2019**
Consumable Inventories	$	16,264
Merchandise Inventories	$	691,901
Inventories	**$**	**708,165**

7. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2019 is presented as follows. The current year depreciation expense was $4,322,423.

Capital Assets	Balance at June 30, 2018	Additions/ Transfers	Retirements	Balance at June 30, 2019
Nondepreciable capital assets				
Land	$ 11,021,429	$ -	$ -	$ 11,021,429
Construction in progress	0	358,392	-	358,392
Subtotal	11,021,429	358,392	-	11,379,821
Depreciable capital assets				
Buildings	171,324,792	-	-	171,324,792
Improvements and infrastructure	7,260,924	0	-	7,260,924
Equipment	9,623,102	166,795	(59,713)	9,730,184
Library resources	3,993,206	48,750	-	4,041,956
Subtotal	192,202,024	215,545	(59,713)	192,357,856
Less accumulated depreciation				
Buildings	49,799,182	3,449,568	-	53,248,750
Improvements and infrastructure	4,346,886	264,323	-	4,611,209
Equipment	7,070,898	547,520	(59,545)	7,558,873
Library resources	3,740,447	61,012	-	3,801,459
Total accumulated depreciation	64,957,413	4,322,423	(59,545)	69,220,291
Total depreciable capital assets	127,244,611	(4,106,878)	(168)	123,137,565
Capital assets, net of accumulated depreciation	**$ 138,266,040**	**$ (3,748,486)**	**$ (168)**	**$ 134,517,386**

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 the 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, 2019, accrued liabilities are the following:

Accrued Liabilities		**2019**
Amounts Owed to Employees	$	2,145,624
Amounts Held for Others and Retainage		532,210
Total Accrued Liabilities	**$**	**2,677,834**

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

Unearned Revenue		**2019**
Summer and Fall Quarter Tuition and Fees	$	1,671,404
Other Deposits		40,306
Total Unearned Revenue	**$**	**1,711,710**

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 $500,000,000 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, 2018 through June 30, 2019, were $135,954. Cash reserves for unemployment compensation for all employees at June 30, 2019, were $2,795.

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	2019	2018	Change
Vacation	$1,843,218	$1,680,250	$162,968
Sick	4,139,253	3,995,075	144,178
Compensatory	1,300	-	1,300
Total	**$5,983,771**	**$5,675,325**	**$308,446**
Current Portion	$ 421,829	$ 361,749	$ 60,080
Long Term Portion	$ 5,561,942	$ 5,313,576	$ 248,366

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, 2019, the minimum lease payments under operating leases consist of the following:

Leases Payable

Fiscal Year		Equipment Leases		Property Leases
2020		132,331		355,758
2021		23,479		88,940
Total minimum lease payments	**$**	**155,810**	**$**	**444,698**

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.

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, 2019 are as follows:

Fiscal year		Principal		Interest		Total
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	**$**	**6,600,000**	**$**	**1,555,300**	**$**	**8,155,300**

16. Schedule of Long Term Liabilities

	Balance outstanding 6/30/18	Additions	Reductions	Balance outstanding 6/30/19	Current portion
Certificates of Participation	$ 7,255,000	$ -	$ 655,000	$ 6,600,000	$ 690,000
Compensated Absences	$ 5,675,325	$ 2,322,614	$ 2,014,168	$ 5,983,771	$ 421,829
Total pension obligation	$ 3,756,372	$ 1,052,304	$ 167,976	$ 4,640,700	$ 95,333
Net pension obligation	$ 11,665,473	$ 2,967,271	$ 6,186,018	$ 8,446,726	$ -
OPEB obligation	$ 36,075,251	$ 4,451,126	$ 9,773,832	$ 30,752,545	$ 564,651
Unamortized Premium	$ 1,068,523	$ -	$ 122,475	$ 946,048	$ -
Total	**$ 65,495,944**	**$ 10,793,315**	**$ 18,919,469**	**$ 57,369,790**	**$ 1,771,813**

17. Pension Liability

Pension liabilities reported as of June 30, 2019 consists of the following:

Pension Liability by Plan	
PERS 1	$ 5,002,529
PERS 2/3	2,412,078
TRS 1	892,160
TRS 2/3	139,959
SBRP	4,640,700
Total	**$ 13,087,426**

18. Retirement Plans

A. General

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

In accordance with GASB Statement No. 68, the College has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities. The College has elected to use the current fiscal year end as the measurement date for reporting pension liabilities for the Higher Education Supplemental Retirement Plan.

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, 2019:

Aggregate Pension Amounts - All Plans

Pension liabilities	$	13,087,426
Deferred outflows of resources related to pensions	$	3,431,593
Deferred inflows of resources related to pensions	$	4,685,600
Pension expense	$	433,948

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% of employee salaries.

Pursuant to RCW 41.50.770, the College offers its employees that elect to participate a deferred compensation program in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, disability, death, or unforeseeable financial emergency. This deferred compensation plan is administered by the DRS.

The DRS prepares a stand-alone financial report that is compliant with the requirements of 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 (funded on a pay-as-you-go basis) which is administered by the state.

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

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

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

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

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

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

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

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

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

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

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

Contributions. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine contribution requirements are established under state statute.

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

TRS

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

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

Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

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

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

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

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

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

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

Contributions

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

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

Contribution Rates and Required Contributions. The College's contribution rates and required contributions for the above retirement plans for the years ending June 30, 2019, 2018, and 2017 are as follows:

Contribution Rates at June 30

	FY 2017		FY 2018		FY 2019	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	6.00%	11.18%	6.00%	12.70%	6.00%	12.83%
Plan 2	6.12%	11.18%	7.38%	12.70%	7.41%	12.83%
Plan 3	5 - 15%	11.18%	5 - 15%	12.70%	5 - 15%	12.83%
TRS						
Plan 1	6.00%	13.13%	6.00%	15.20%	6.00%	15.41%
Plan 2	5.95%	13.13%	7.06%	15.20%	7.06%	15.41%
Plan 3	5-15%	13.13%	5-15%	15.20%	5-15%	15.41%

Required/Actual Contributions

	FY 2017		FY 2018		FY 2019	
	Employee	**College**	**Employee**	**College**	**Employee**	**College**
PERS						
Plan 1	$6,159	$11,475	$6,233	$13,193	$5,596	$11,944
Plan 2	$610,997	$1,116,377	$733,255	$1,261,891	$769,543	$1,331,110
Plan 3	$290,420	$485,428	$319,677	$607,120	$374,675	$715,517
TRS						
Plan 1	$0	$0	$0	$0	$0	$0
Plan 2	$8,667	$19,126	$10,175	$21,970	$10,705	$23,317
Plan 3	$112,198	$187,243	$137,948	$249,736	$142,418	$268,806

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

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, 2018, 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	9.55%
PERS Plan 2/3	9.56%
TRS Plan 1	9.54%
TRS Plan 2/3	9.57%

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.

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of June 30, 2017 with the results rolled forward to the June 30, 2018 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation 2.75%
- Salary Increases 3.50%
- Investment rate of return 7.40%

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 (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 members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board (WSIB). Those expected returns make up one component of the WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

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

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

The Office of the State Actuary (OSA) selected a 7.40 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by the WSIB. Refer to the 2017 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the following table:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Fixed Income	20%	1.7%
Tangible Assets	7%	4.9%
Real Estate	18%	5.8%
Global Equity	32%	6.3%
Private Equity	23%	9.3%
Total	**100%**	

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

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The discount rate used to measure the net pension liability was 7.40 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 7.50 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 7.40 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 7.40 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 7.40 percent, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.40 percent) or 1-percentage-point higher (8.40 percent) than the current rate.

Pension Plan		1% Decrease (6.40%)		Current Discount Rate (7.40%)		1% Increase (8.40%)
PERS Plan 1	$	6,147,808	$	5,002,529	$	4,010,504
PERS Plan 2/3	$	11,032,895	$	2,412,078	$	(4,656,032)
TRS Plan 1	$	1,115,097	$	892,160	$	699,148
TRS Plan 2/3	$	872,326	$	139,959	$	(454,978)

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, 2019:

		Pension Expense
PERS Plan 1	$	270,082
PERS Plan 2/3	$	(183,257)
TRS Plan 1	$	172,017
TRS Plan 2/3	$	77,772

Proportionate Shares of Pension Liabilities

The College's proportionate share of pension liabilities for fiscal years ending June 30, 2017 and June 30, 2018 for each retirement plan are listed below:

Plan	2017	2018	Change
PERS 1	0.115396%	0.112013%	-0.003383%
PERS 2/3	0.146025%	0.141271%	-0.004754%
TRS 1	0.028094%	0.030547%	0.028094%
TRS 2/3	0.028910%	0.031094%	0.028910%

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, 2019:

	PERS 1		PERS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 295,657	$ 422,310
Difference between expected and actual earnings of pension plan investments	$ -	$ 198,798	$ -	$ 1,480,162
Changes of Assumptions	$ -	$ -	$ 28,217	$ 686,458
Changes in College's proportionate share of pension liabilities	$ -	$ -	$ -	$ 265,100
Contributions to pension plans after measurement date	$ 826,670	$ -	$ 1,197,925	$ -
	$ 826,670	**$ 198,798**	**$ 1,521,800**	**$ 2,854,030**

	TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 65,771	$ 10,335
Difference between expected and actual earnings of pension plan investments	$ -	$ 38,152	$ -	$ 118,368
Changes of Assumptions	$ -	$ -	$ 2,380	$ 56,245
Changes in College's proportionate share of pension liabilities	$ -	$ -	$ 41,427	$ 1,515
Contributions to pension plans after measurement date	$ 141,872	$ -	$ 150,660	$ -
	$ 141,872	**$ 38,152**	**$ 260,237**	**$ 186,462**

The $2,317,127 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, 2020.

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
2020	8,697	(334,327)	3,817	4,981
2021	(43,458)	(528,334)	(7,898)	(21,658)
2022	(130,406)	(933,840)	(27,131)	(58,176)
2023	(33,631)	(363,339)	(6,940)	(13,042)
2024	-	(152,021)	-	3,619
thereafter	-	(218,294)	-	7,391
	$ (198,798)	**$ (2,530,155)**	**$ (38,152)**	**$ (76,885)**

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.

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2019 were each $2,108,020.

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, 2019, supplemental benefits were paid by the SBCTC on behalf of the system as a total in the amount of $1,818,361. The College's share of this amount was $76,446. 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 2019, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $115,246. 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, 2019, the SBCTC system accounted for $19,733,342 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, 2018, with the results rolled forward to the June 30, 2019, 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%-6.50%

**Measurement reflects actual investment returns through June 30, 2018*

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, 2018 valuation were based on the results of the April 2016 Supplemental Plan Experience Study. Additional assumptions related to the fixed income and variable income investments were based on feedback from financial administrators of the Higher Education Supplemental Retirement Plans.

Material assumption changes during the measurement period include the discount rate decrease from 3.87 percent to 3.50 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 3.50 percent for the June 30, 2019, measurement date.

Pension Expense
For the year ended June 30, 2019, the College will recognize the following amounts in pension expense in the State Board Supplemental Retirement Plans:

Clark College		
Proportionate Share (%)		**4.204100%**
Service Cost	$	119,877
Interest Cost		145,004
Amortization of Differences Between Expected and Actual Experience		(157,874)
Amortization of Changes in Assumptions		17,895
Administrative Expenses		-
Proportionate Share of Collective Pension Expense	**$**	**124,902**
Amortization of Changes in Proportion		(27,568)
Total Pension Expense	**$**	**97,334**

Proportionate Shares of Pension Liabilities

The College's proportionate share of pension liabilities for fiscal year ending June 30, 2019 was 4.204103%. 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 2018 to 2019 for the SRP is listed as follows:

Proportionate Share (%) 2018		**4.309100%**
Proportionate Share (%) 2019		**4.204103%**
Total Pension Liability - Ending 2018	$	3,756,372
Total Pension Liability - Beginning 2019		3,664,842
Total Pension Liability - Change in Proportion		(91,530)
Total Deferred (Inflows)/Outflows - 2018		1,519,216.35
Total Deferred (Inflows)/Outflows - 2019		1,482,198.39
Total Deferred (Inflows)/Outflows - Change in Proportion		(37,018)
Total Change in Proportion	**$**	**(128,548)**

Plan Membership

Membership of the State Board Supplemental Retirement Plan (SBRP) consisted of the following at June 30, 2018, 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	30	12	248	290

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, 2019, the latest measurement date for all plans:

Change in Total Pension Liability

Total Pension Liability		Amount
Service Cost	$	119,877
Interest		145,004
Changes of benefit terms		-
Differences between expected and actual experience		273,384
Changes of assumptions		514,039
Benefit Payments		(76,446)
Change in proportionate share		(91,530)
Other		-
Net Change in Total Pension Liability		884,328
Total Pension Liability - Beginning		3,756,372
Total Pension Liability - Ending	**$**	**4,640,700**

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 3.50 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 (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

Pension Plan	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
SBRP	$ 5,302,677	$ 4,640,700	$ 4,091,012

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, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 236,440	$ 972,689
Changes of Assumptions	444,574	263,111
Changes in College's proportionate share of pension liability	-	172,358
Transactions Subsequent to the Measurement Date	-	-
Total	**$ 681,014**	**$ 1,408,158**

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
2020	(167,548)
2021	(167,548)
2022	(167,548)
2023	(167,547)
2024	(98,254)
Thereafter	41,301
	$ (727,144)

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.

<u>Contributions</u>. 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, 2019 were each $2,108,020 and $2,108,070, 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

Plan Description. 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. 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. The PEBB OPEB plan has no assets and does not issue a publicly available financial report.

Employees Covered by Benefit Terms. Employers participating in the PEBB plan for the state include general government agencies, higher education institutions, and component units. Additionally, there are 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 College consisted of the following:

Summary of Plan Participants
As of June 30, 2018

Active Employees*	733
Retirees Receiving Benefits**	191
Retirees Not Receiving Benefits***	36
Total Active Employees and Retirees	960

*Reflects active employees eligible for PEBB program participation as of June 30, 2018.
**Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.
***This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future. No benefits are allowed to them unless they choose to join in the future. In order to do so, they must show proof of continuous medical coverage since their separation of employment with the State of Washington that meets the requirements set forth in Washington Administrative Code 182-12-205.

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

Benefits Provided. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2017, the average weighted implicit subsidy was valued at $327 per adult unit per month, and in calendar year 2018, the average weighted implicit subsidy was valued at $347 per adult unit per month. In calendar year 2019, the average weighted implicit subsidy is projected to be $368 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 2017, the explicit subsidy was up to $150 per member per month, and it remained up to $150 per member per month in calendar years 2018. This was increased in calendar year 2019 up to $168 per member per month. It is projected to increase to $183 per member per month in calendar year 2020.

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

Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis.

The estimated monthly cost for PEBB benefits for the reporting period for each active employee (average across all plans and tiers) is as follows (expressed in dollars):

Required Premium*		
Medical	$	1,092
Dental		79
Life		4
Long-term Disability		2
Total		1,177
Employer contribution		1,017
Employee contribution		160
Total	$	1,177

*Per 2019 PEBB Financial Projection Model 7.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2019 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, 2019, the state reported a total OPEB liability of $5.08 billion. The College's proportionate share of the total OPEB liability is $30,752,545. This liability was determined based on a measurement date of June 30, 2018.

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 June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.75%
Projected Salary Changes	3.50% Plus Service-Based Salary Increases
Health Care Trend Rates*	Trend rate assumptions vary slightly by medical plan. Initial rate is approximately 8%, reaching an ultimate rate of approximately 4.5% in 2080
Post-Retirement Participation Percen	65%
Percentage with Spouse Coverage	45%

In projecting the growth of the explicit subsidy, after 2020 when the cap is $183, it is assumed to grow at the health care trend rates. The Legislature determines the value of the cap and no future increases are guaranteed; however, based on historical growth patterns, future increases to the cap are assumed.

Mortality rates were 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 2017 Economic Experience Study.

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

Actuarial Valuation Date	6/30/2018
Actuarial Measurement Date	6/30/2018
Actuarial Cost Method	Entry Age
Amortization Method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset Valuation Method	N/A - No Assets

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.58 percent for the June 30, 2017 measurement date and 3.87 percent for the June 30, 2018 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, 2019, components of the calculation of total OPEB liability determined in accordance with GASB Statement No. 75 for the College are represented in the following table:

College Name		
Proportionate Share (%)		**0.6055279623%**
Service Cost	$	1,922,697
Interest Cost		1,321,843
Differences Between Expected and Actual Experienc		1,206,586
Changes in Assumptions*		(8,417,284)
Changes of Benefit Terms		-
Benefit Payments		(558,281)
Changes in Proportionate Share		(798,267)
Other		-
Net Change in Total OPEB Liability		(5,322,706)
Total OPEB Liability - Beginning		36,075,251
Total OPEB Liability - Ending	**$**	**30,752,545**

*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.

Sensitivity of the Total Liability to Changes in the Discount Rate. The following represents the total OPEB liability of the College, calculated using the discount rate of 3.87 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 (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

Discount Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 37,080,340	$ 30,752,545	$ 25,815,496

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of the College, calculated using the health care trend rates of 8.00 percent decreasing to 4.50 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 (7.00 percent decreasing to 3.50 percent) or 1 percentage point higher (9.0 percent decreasing to 5.50 percent) than the current rate:

Health Care Cost Trend Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 25,244,860	$ 30,752,545	$ 38,076,723

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

For the year ending June 30, 2019, the College will recognize OPEB expense of $1,623,879. OPEB expense consists of the following elements:

College Name		
Proportionate Share (%)		**0.6055279623%**
Service Cost	$	1,922,697
Interest Cost		1,321,843
Amortization of Differences Between Expected and Actual Experience		134,065
Amortization of Changes in Assumptions		(1,542,417)
Changes of Benefit Terms		-
Amortization of Changes in Proportion		(212,309)
Administrative Expenses		-
Total OPEB Expense	**$**	**1,623,879**

As of June 30, 2019, the deferred inflows and deferred outflows of resources for the College are as follows:

College Name				
Proportionate Share (%)		**0.6055279623%**		
Deferred Inflows/Outflows of Resources		**Deferred Inflows**		**Deferred Outflows**
Difference between expected and actual experience	$	-	$	1,072,521
Changes in assumptions		11,732,173		-
Transactions subsequent to the measurement date		-		564,651
Changes in proportion		1,585,673		-
Total Deferred Inflows/Outflows	**$**	**13,317,846**	**$**	**1,637,172**

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, 2020. 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:

Proportionate Share (%)		0.6055279623%
2019	$	(1,620,661)
2020	$	(1,620,661)
2021	$	(1,620,661)
2022	$	(1,620,661)
2023	$	(1,620,661)
Thereafter	$	(4,142,020)

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

Proportionate Share (%) 2017		**0.6192301769%**
Proportionate Share (%) 2018		**0.6055279623%**
Total OPEB Liability - Ending 2017	$	36,075,251
Total OPEB Liability - Beginning 2018		35,276,984
Total OPEB Liability Change in Proportion		(798,267)
Total Deferred (Inflows)/Outflows - 2017		(4,396,306)
Total Deferred (Inflows)/Outflows - 2018		(4,299,025)
Total Deferred (Inflows)/Outflows Change in Proportion		97,281
Total Change in Proportion	**$**	**(895,548)**

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, 2019.

Expenses by Functional Classification		
Instruction	$	36,028,425
Academic Support Services		9,375,781
Student Services		9,414,753
Institutional Support		10,825,715
Operations and Maintenance of Plant		7,311,459
Scholarships and Other Student Financial Aid		14,424,568
Auxiliary enterprises		8,524,852
Depreciation		4,322,423
Total Operating Expenses	**$**	**100,227,976**

21. Commitments and Contingencies

Three claims totaling $2.3 million have been filed against the College and have been assigned an investigator by the state's Office of Risk Management. Two claims, both from former employees, allege discrimination and harassment. The third, filed by a current employee, alleges harassment and hostile work environment. In addition, the College is also involved in two suits regarding public records. In one, the Clark College Foundation has asked the courts to enjoin the College from releasing public records to Oregon Public Broadcasting that the Foundation believe are private. In the other, an individual is claiming the College did not produce all records responsive to his request. The College continues to work with the Attorney General’s office on these matters. Management does not believe the ultimate outcomes of these actions will have a material adverse effect on the financial statement.

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.

22. Subsequent Events

On December 10, 2019, the College notified Broadway Investors of its intent to terminate the property lease effective October 1, 2020. This results in long term savings to the College of $711,516. The remaining lease obligation is detailed in Note 13.

On January 16, 2020, the College reached an agreement with the faculty union to provide salary increases, which will impact the College’s future operating budget commitments.

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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	0.112013%	$ 5,002,529	$ 14,764,631	33.88%	63.22%
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	0.141271%	$ 2,412,078	$ 14,660,814	16.45%	95.77%
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	0.030547%	$ 892,160	$ 1,790,360	49.83%	66.52%
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	0.031094%	$ 139,959	$ 1,790,360	7.82%	96.88%
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	$ 826,669	$ 826,669	$ -	$16,043,142	5.15%
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	$ 2,012,643	$ 2,012,643	$ -	$15,948,424	12.62%
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	$ 141,871	$ 141,871	$ -	$ 1,927,767	7.36%
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	$ 292,531	$ 292,531	$ -	$ 1,927,767	15.17%
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		2019
Total Pension Liability						
Service Cost	$	237,039	$	164,899	$	119,877
Interest		153,768	$	151,539		145,004
Changes of benefit terms		-	$	-		-
Differences between expected and actual experience		(1,108,661)	$	(448,208)		273,384
Changes of assumptions		(261,675)	$	(151,634)		514,039
Benefit payments		(39,470)	$	(56,024)		(76,446)
Change in proportionate share		-	$	(63,428)		(91,530)
Net Change in Total Pension Liability		**(1,018,999)**	**$**	**(402,856)**	**$**	**884,328**
Total Pension Liability - Beginning		**5,178,227**	**$**	**4,159,228**	**$**	**3,756,372**
Total Pension Liability - Ending	**$**	**4,159,228**	**$**	**3,756,372**	**$**	**4,640,700**
College's Proportion of the Pension Liability		4.375831%		4.309100%		4.204100%
Covered-employee payroll	$	24,531,125	$	24,536,498	$	24,613,116
Total Pension Liability as a percentage of covered-employee payroll		16.954901%		15.309324%		18.854582%

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	**2017**
Total Pension Liability		
Service Cost	$ 1,922,697	$ 2,445,682
Interest	1,321,843	$ 1,145,572
Changes of benefit terms	-	$ -
Differences between expected and actual experience	1,206,586	$ -
Changes of assumptions	(8,417,284)	$(5,588,122)
Benefit payments	(558,281)	$ (583,802)
Change in proportionate share	(798,267)	$(1,030,806)
Net Change in Total OPEB Liability	**(5,322,706)**	**$(3,611,476)**
Total OPEB Liability - Beginning	**36,075,251**	**$39,686,727**
Total OPEB Liability - Ending	**$30,752,545**	**$36,075,251**
College's Proportion of the OPEB Liability	0.60552796%	0.61923000%
Covered-employee payroll	$ 41,174,981	$ 40,817,244
Total OPEB Liability as a percentage of covered-employee payroll	74.687454%	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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