Clark College

2014 Annual Financial Report

Fiscal Year Ended June 30, 2014

Clark College

2014 Financial Report

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Trustees and Executive Officers

Independent Auditor's Report on Financial Statements

Washington State Auditor
Troy Kelley

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, Clark County, Washington, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Clark College Foundation, which represents 100 percent, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Clark College Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Clark College Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

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assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Clark College, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, the changes in financial position and, where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

The financial statements include summarized prior-year comparative information for the Clark College Foundation. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2013, from which such partial information was derived. Other auditors have previously audited the Clark College Foundation's 2013 financial statements and they expressed an unmodified opinion in their report dated November 5, 2013.

Other Matters

Required Supplementary Information

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

Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2015 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.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

April 1, 2015

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, 2014 (FY 2014). The 2014 report constitutes the College's inaugural audited financial statements. As a result, comparisons included in this discussion were made with unaudited information for the fiscal year ended June 30, 2013 (FY 2013), where available.

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 14,000 students. The College confers associates degrees, certificates and high school diplomas. The College was established in 1933. Its primary purpose is to provide opportunities for diverse learners to achieve their educational and professional goals, thereby enriching the social, cultural, and economic environment of our region and the global community.

The College's main campus is located in Vancouver, Washington, a community of about 165,000 residents. The College also offers classes at our satellite campuses in east Vancouver at the Columbia Tech Center, in north Vancouver on the campus of Washington State University, Vancouver and in the Columbia River Gorge in Bingen, Washington. Economic and Community Development classes are offered in the heart of downtown at the Columbia Bank Building. The College is currently planning for a new satellite campus in north Clark County and a new Science, Technology, Engineering and Math (STEM) building at its main campus to serve the increased demand for training in these fields. The College is governed by a five member Board of Trustees appointed by the governor with the consent of the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and it's discretely presented component unit, the Clark College Foundation. The College's financial statements include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2014. 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 as a whole.

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 assets at year-end and includes all assets and liabilities of the College. A condensed Statement of Net Position is as follows:

Condensed Statement of Net Position As of June 30th	**FY 2014**	**FY 2013 (Unaudited)**
Assets		
Current Assets	25,900,019	25,723,950
Capital Assets, net	102,233,786	100,463,186
Total Assets	**$ 128,133,805**	**$ 126,187,136**
Liabilities		
Current Liabilities	7,634,793	7,053,453
Other Liabilities, non-current	6,246,219	6,472,939
Total Liabilities	**13,881,012**	**$ 13,526,392**
Net Position	**$ 114,252,793**	**$ 112,660,744**

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The increase of current assets in FY 2014 can primarily be attributed to an increase in accounts receivable due from the State Treasurer, an increase in prepaid expenses for the bookstore, and offset by a decrease in cash and cash equivalents.

Net capital assets increased by $1,770,600 from FY 2013 to FY 2014. After taking into consideration current depreciation expense of $3,519,294, the majority of the increase is the result of the construction in progress of the STEM Building, which is estimated to be completed in spring 2016. In addition to the new building, the college also completed a significant remodel of the Dental Hygiene Lab as well as updated the softball fields.

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

The increase in current liabilities from FY 2013 to FY 2014 is due to an increase in unearned revenue for summer quarter received prior to the start of the quarter, a payable recorded to reflect funds due to the federal government for undisbursed direct student loans, and an increase in funds held as fiscal agent for the North West Athletic Conference (NWAC).

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees and the long-term portion of Certificates of Participation (COP) debt.

The College's non-current liabilities continue to decrease as the College pays down the principal owed on the COP for the Penguin Student Union Building. That decrease is offset slightly by an increase to employee vacation and sick leave balances as employees used unpaid Temporary Salary Reduction leave in lieu of paid leave.

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

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

Restricted:

Nonexpendable – consists of funds in which a donor or external party has imposed the restriction that the corpus or principal is not available for expenditures but for investment purposes only. Historically, donors interested in establishing such funds to benefit the College or its students have chosen to do so through the Foundation. As a result, the College is not reporting any balance in this category.

Expendable – resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The expendable balance for the College is funds held for student loans.

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.

Condensed Net Position As of June 30th	**FY 2014**	**FY 2013** **(Unaudited)**
Net investment in capital assets	$100,698,786	$98,448,188
Restricted		
Expendable - Student Loans	$36,069	$36,069
Expendable -Grants	$873,254	$620,576
Unrestricted	$12,644,684	$13,555,912
Total Net Position	**$114,252,793**	**$112,660,744**

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 2014. The objective of the statement is to present the revenues received, both operating and non-operating, and the expenses paid by the College, along with any other revenue, expenses, and gains and losses of the College.

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

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

A condensed statement of revenues, expense and changes in net position is presented below. A single year is presented as part of this inaugural set of financial statements. Future years will include comparative information.

Condensed Statement of Revenue, Expenses and Changes in Net Position As of June 30th		**FY 2014**
Operating Revenues	$	53,254,588
Operating Expenses	$	104,087,128
Net Operating Loss	**$**	**(50,832,540)**
Non-Operating Revenues	$	47,098,808
Non-Operating Expenses	$	63,579
Loss Before Other	**$**	**(3,797,311)**
Capital Appropriations and Contributions	$	5,389,360
Increase in Net Position	**$**	**1,592,049**
Net Position, Beginning of the Year	**$**	**112,660,744**
Net Position, End of the Year	**$**	**114,252,793**

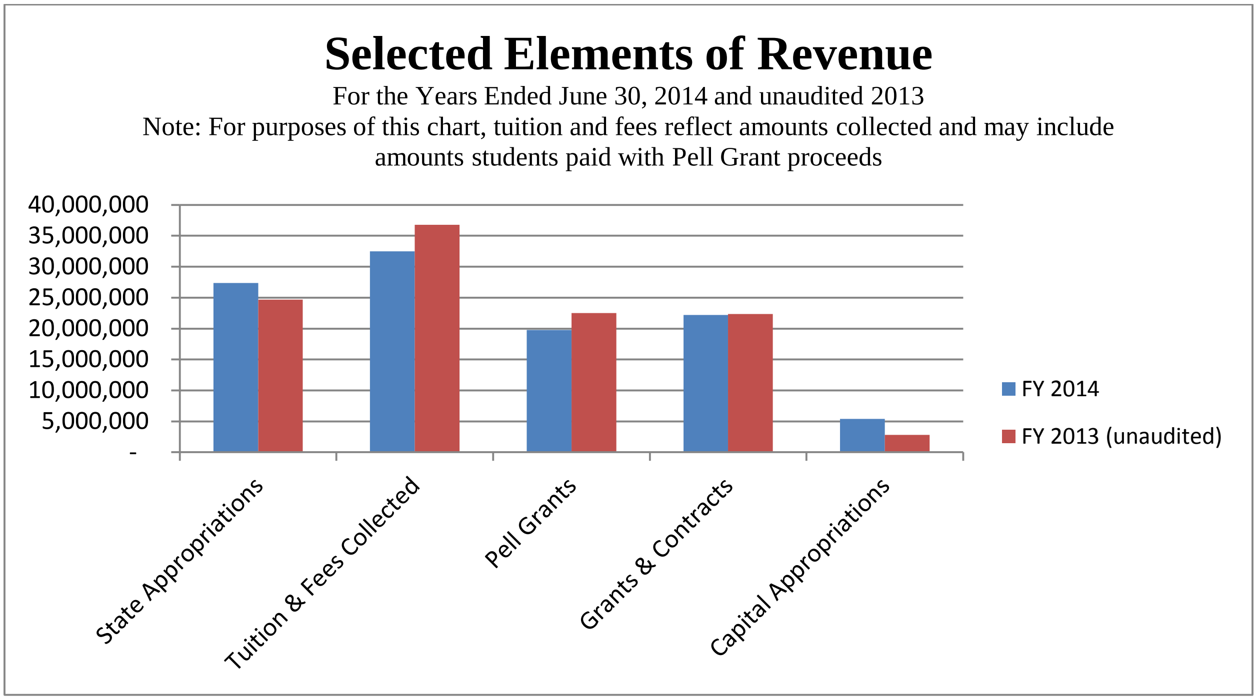
Revenues

Continuing a trend that began midway through fiscal year 2009, the College's state operating appropriations decreased multiple times through FY 2013. The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. System-level appropriations hit their height in FY 2009 and as of FY 2013 had been reduced by almost 24%. In FY 2014, the Legislature reinstated a fraction of the previous cuts.

Over this same period, the Legislature and SBCTC instituted increases in tuition rates to partially offset the reduction in state appropriations. Since enrollments decreased in FY 2014, the College's decrease in tuition and fee revenue is primarily attributable to the decline in enrollment along with changes in mix such as fewer part-time students, but was offset slightly by an increase in international students. Pell Grant revenues generally follow enrollment trends. As the College's enrollment decreased during FY 2014, so did the College's Pell Grant revenue. For FY 2014, the College attempted to keep other fees as stable as possible, resulting in only small changes in these revenues.

In FY 2014, grant and contract revenues decreased by $200,332 when compared with FY 2013. The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses. The increase in Running Start enrollments partially offset the reduction in grant and contract revenues.

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

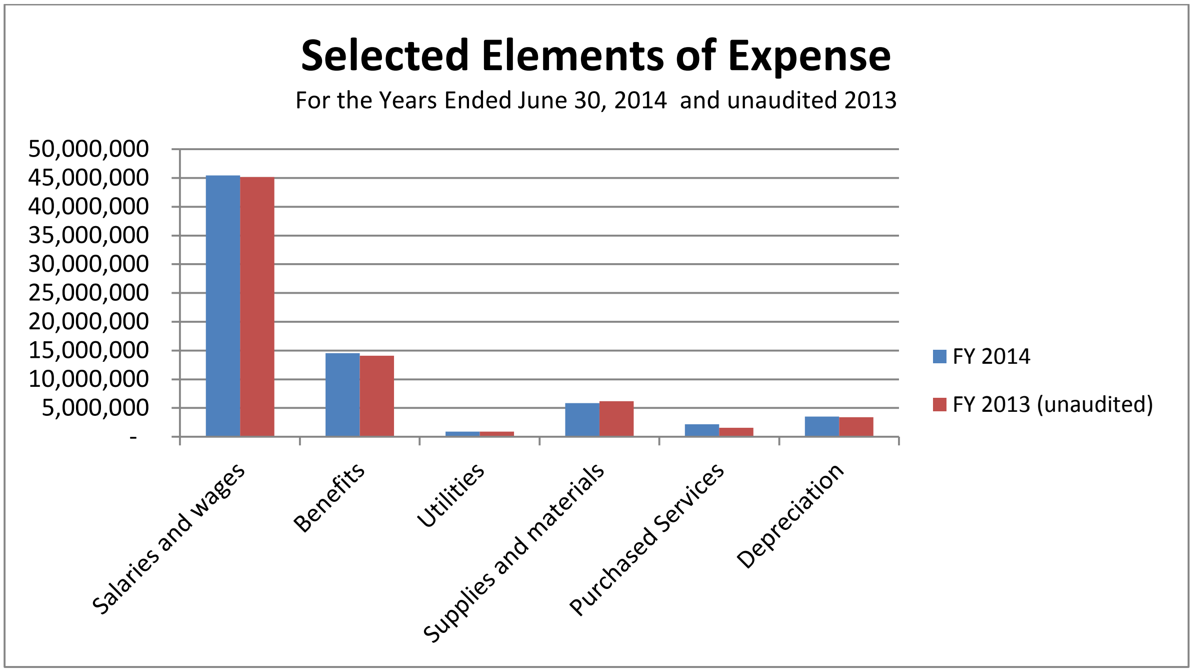


Expenses
Faced with severe budget cuts over the past five years, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College decreased spending and services and was subject to various state spending freezes and employee salary reductions.

More recently, in FY 2014, salary and benefit costs increased as result of the restoration of the 3% salary reduction implemented in FY 2013, classified staff increments as defined by the collective bargaining agreement, and increased retirement costs.

The College has reduced utility expenses in FY 2014 as a result of targeted efforts to reduce use, in spite of rate increases from utility providers. Supplies and materials are lower in FY 2014, primarily as a result of a reduced spending. Certain capital project costs do not meet accounting criteria for capitalization as part of the cost of the building and are instead recognized as supplies and materials or purchased services costs. These fluctuations are normal. Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing a significant increase in any year when a new building is placed in service.

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



Statement of Cash Flows

The Statement of Cash Flows gives a general picture of where the College obtains and spends its cash and cash equivalents. The statement gives detailed information about cash flows related to four different types of activities within the institution.

The first section shows cash received and spent on the operations of the college. Since tuition and fees and other operating revenue alone do not normally cover the operating costs of a public higher education institution, this section can be expected to show more cash used than provided.

The second section shows cash received and spent on non-capital financing activities of the College. The College reports cash from state appropriations and cash related to federally funded Pell Grants. This section also includes any activity that cannot be reported in one of the other sections.

The third section shows cash received and spent on capital and related financing activities. This includes state capital appropriations for major projects, minor works and repairs. It also includes cash proceeds, loan origination costs, interest and principal payments related to the COP. Since colleges periodically use local funds to supplement these sources, it is not unusual for this section to show more cash used than provided.

The fourth section shows cash received and spent on investing activities, including the purchase and sale of investment instruments, interest earnings and realized gains or losses from investments. The College currently does not have any investing activity beyond the State's LGIP which yielded the stated investment income.

Next the statement shows how the current year's change in cash combined with the prior year's cash balance results in the ending cash and cash equivalents balance shown on the College's Statement of Net Position. Finally, the statement includes a detailed reconciliation of operating activity only, between the operating loss shown as a subtotal on the Statement of Revenues, Expenses and Changes in Net Position and the net cash used by operating activities shown on the Cash Flow Statement.

A condensed statement of cash flows is presented below. A single year is presented as part of this inaugural set of financial statements. Future years will include comparative information.

Condensed Statement of Cash Flows As of June 30th	**FY 2014**
Operating Activities	(46,430,120)
Non-Capital Financing Activities	44,986,199
Capital Financing Activities	(526,230)
Investing Activities	19,089
Net Change in Cash	**$ (1,951,062)**
Cash, Beginning of Year	19,548,408
Cash, End of Year	**$ 17,597,346**

The College's cash and cash equivalents decreased in 2014 by $1,951,062. Primary contributing factors include a decrease in enrollments, increases to capital spending that included significant costs for hazmat remediation in preparing the site of the future STEM Building, significant improvements to the softball field, and remodeling of various existing facilities. The College also increased spending on our IT infrastructure including Smart Classroom technologies in alignment with our IT Strategic Plan.

Capital Assets and Long-Term Debt Activities

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

At June 30, 2014, the College had invested $102,233,786 in capital assets, net of accumulated depreciation. This represents an increase of $1,770,600 from last year, as shown in the table below.

Asset Type	June 30, 2014	June 30, 2013 (unaudited)	Change
Land	$6,129,056	$6,129,056	$0
Construction in Progress	$1,170,008	$0	$1,170,008
Buildings, net	$89,101,080	$89,033,791	$67,289
Other Improvements and Infrastructure, net	$3,001,808	$3,162,715	-$160,907
Equipment, net	$2,658,433	$1,967,524	$690,909
Library Resources, net	$173,401	$170,100	$3,301
Total Capital Assets, Net	**$102,233,786**	**$100,463,186**	**$1,770,600**

The increase in net capital assets can be attributed to the construction in progress of the STEM Building, the Dental Hygiene Lab renovation, roof and HVAC replacements on three buildings, and normal replacement and acquisition of equipment and library resources. The only significant capital project in process on June 30, 2014 was the STEM Building. In FY 2014, the College applied the retroactive infrastructure reporting requirements of Government Accounting Standards Board Statement Number 34 for the first time. FY 2013 amounts have not been restated to recognize these changes.

At June 30, 2014, the College had $1,535,000 in outstanding debt, made up entirely of the Certificate of Participation (COP) for the Student Union Building. The College has no capital leases. Additional information of notes payable, long term debt and debt service schedules can be found in Notes 11, 12, and 13 of the Notes to the Financial Statements.

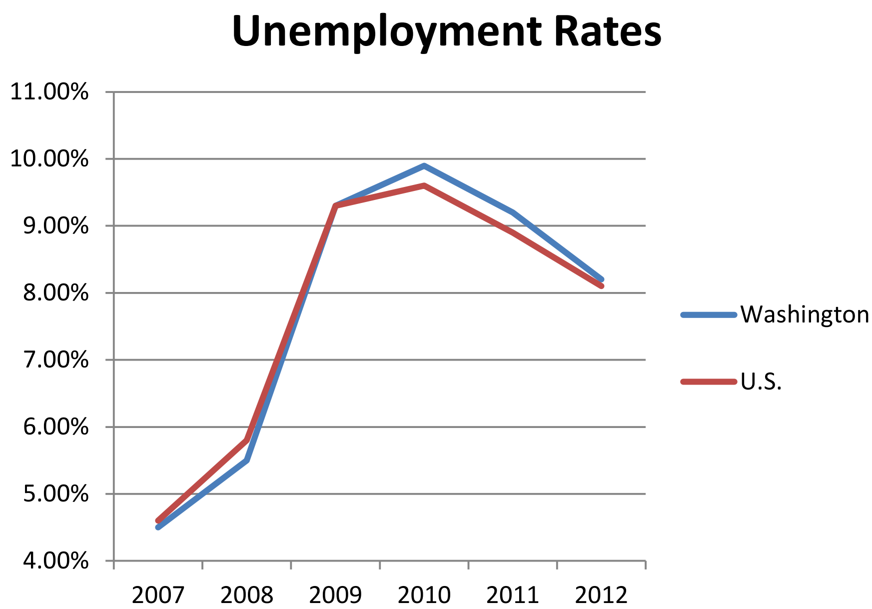
Economic Factors That Will Affect the Future

Following a trend that began in FY 2009, the College's state operating appropriations continued to decrease through FY 2013. More recently, when creating the 2013 – 2015 biennial budget, the state Legislature re-invested in community and technical colleges. They continued this trend with a supplemental budget that included community colleges as a key partner in an investment in aerospace training. As a result, the net reduction of community college funding between FY 2009 and expected funding levels by the end of FY 2015 will have been a little over 15 percent. These investments in community colleges allowed the Legislature to keep FY 2014 tuition flat for resident, non-resident and baccalaureate students. It's unclear how much opportunity there may be for additional investments in community and technical colleges in the next few years, as state budget writers continue to grapple with court-mandated basic education obligations.

Washington's Economic and Revenue Forecast Council prepares independent forecasts quarterly throughout the year. In its most recent forecast (February 2014), the council observed that most of the state's economic risk factors continue to come from outside the state. A slowing Chinese economy, the potential for a slowdown in the U.S. housing recovery, and European economic and debt problems all remain major threats to the U.S. and Washington economies. However, the passage of a federal budget in January and the recent suspension of the debt ceiling reduce uncertainty surrounding federal fiscal policy.

Closer to home, Washington continues to add jobs, including showing growth in the manufacturing sector. Housing construction, home prices and car sales also increased and exports are at an all-time high. Both employment in Washington state and personal income are expected to continue to grow in 2014 and through 2019, the end of the period covered by the forecast.

A hallmark of community colleges is the flexibility to quickly respond to the needs of the community, resulting in a pattern of high enrollment during economic downturns, punctuated by lower enrollment when the job market is strong. The Great Recession of 2008 has had a lingering effect on the job market in Washington, which has only recently shown improvement. The College enrolled 987 full-time equivalent students above its state funded enrollment target during FY 2014. However, enrollment is down about 19% from its most recent peak in FY 2011, which, if this trend continues, will result in a significant reduction in tuition revenue.



College Statement of Net Position

Clark College
Statement of Net Position
June 30,2014

Assets				
	Current assets			
		Cash and cash equivalents	$	17,597,346
		Accounts receivable (Net of $324,752 allowance)		6,800,282
		Inventories		1,199,628
		Prepaid expenses		302,763
		Total current assets	$	25,900,019
	Noncurrent assets			
		Capital assets, net of depreciation	$	102,233,786
		Total non-current assets	$	102,233,786
		Total assets	**$**	**128,133,805**
Liabilities				
	Current liabilities			
		Accounts payable	$	238,462
		Accrued liabilities		3,006,784
		Deposits payable		143,512
		Unearned revenue		3,751,035
		Certificates of participation payable, current portion		495,000
		Total current liabilities	$	7,634,793
	Noncurrent liabilities			
		Compensated absences	$	5,206,219
		Long-term certificate of participation liability		1,040,000
		Total non-current liabilities	$	6,246,219
		Total liabilities	**$**	**13,881,012**
Net Position				
	Net investment in capital assets		$	100,698,786
	Restricted for:			
		Nonexpendable		-
		Expendable		873,254
		Student loans		36,069
	Unrestricted			12,644,684
		Total net position	**$**	**114,252,793**
		Total labilities and net position	**$**	**128,133,805**

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

College Statement of Revenues, Expenditures and Changes in Net Position

Clark College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

Operating Revenues			
Student tuition and fees, net of discounts		$	22,620,832
Auxiliary enterprise sales			6,590,164
State and local grants and contracts			21,301,685
Federal grants and contracts			875,437
Other operating revenues			1,866,470
	Total operating revenue	**$**	**53,254,588**
Operating Expenses			
Operating expenses		$	8,348,625
Salaries and wages			45,707,156
Benefits			14,554,937
Scholarships, net of discounts			23,007,702
Supplies and materials			5,869,477
Depreciation			3,519,294
Purchased services			2,172,695
Utilities			907,242
	Total operating expenses	**$**	**104,087,128**
	Operating loss	**$**	**(50,832,540)**
Non-Operating Revenues			
State appropriations		$	27,327,204
Federal Pell grant revenue			19,752,515
Investment income			19,089
	Net non-operating revenues	**$**	**47,098,808**
Non-Operating Expenses			
Interest on indebtedness		$	63,579
	Net non-operating expenses	**$**	**63,579**
Loss before other revenues, expenses, gains, or losses		**$**	**(3,797,311)**
Capital appropriations		$	3,145,532
Capital contribution - Foundation		$	2,243,828
	Increase in net position	**$**	**1,592,049**
Net Position			
Net position, beginning of year		**$**	**112,660,744**
Net position, end of year		**$**	**114,252,793**

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

College Statement of Cash Flows

Clark College
Statement of Cash Flows
For the Year Ended June 30, 2014

Cash flow from operating activities		
Student tuition and fees	$	22,271,520
Grants and contracts		22,146,778
Payments to vendors		(15,785,400)
Payments for utilities		(834,302)
Payments to employees		(45,486,368)
Payments for benefits		(14,563,505)
Auxiliary enterprise sales		6,702,015
Payments for scholarships and fellowships		(23,007,702)
Other receipts (payments)		2,126,844
Net cash used by operating activities	$	(46,430,120)
Cash flow from noncapital financing activities		
State appropriations	$	25,233,714
Pell grants		19,752,515
Amounts for other than capital purposes		(30)
Net cash provided by noncapital financing activities	$	44,986,199
Cash flow from capital and related financing activities		
Capital appropriations	$	3,078,415
Capital contribution		2,243,828
Purchases of capital assets		(5,289,894)
Principal paid on Certificate of Participation debt		(495,000)
Interest paid on Certificate of Participation debt		(63,579)
Net cash used by capital and related financing activities	$	(526,230)
Cash flow from investing activities		
Income of investments	$	19,089
Net cash provided by investing activities	$	19,089
Decrease in cash and cash equivalents	$	(1,951,062)
Cash and cash equivalents at the beginning of the year	$	19,548,408
Cash and cash equivalents at the end of the year	$	17,597,346
Reconciliation of Operating Loss to Net Cash used by Operating Activities		
Operating Loss	$	(50,832,540)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense	$	3,519,294
Changes in assets and liabilities		
Receivables, net		209,851
Inventories		126,419
Prepaid expenses		(302,763)
Accounts payable		(27,568)
Accrued liabilities		523,428
Unearned revenue		91,100
Compensated absences		268,279
Deposits payable		(5,620)
Net cash used by operating activities	$	(46,430,120)

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

Foundation Statement of Financial Position

CLARK COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014 WITH SUMMARIZED FINANCIAL INFORMATION FOR JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total June 30, 2014	Total June 30, 2013
ASSETS					
Cash	$ 517,523	$ -	$ -	$ 517,523	$ 578,370
Investments	16,628,378	9,825,065	46,589,195	73,042,638	68,954,648
Pledges and other receivables	73,939	1,821,433	387,250	2,282,622	2,029,295
Other assets	127,710	-	-	127,710	153,758
Split-interest agreements	224	103,007	1,107,067	1,210,298	2,277,566
Property and equipment, net	1,381,207	-	568,480	1,949,687	1,913,012
Land held for contribution and development	11,515,000	-	-	11,515,000	-
Total assets	$ 30,243,981	$ 11,749,505	$ 48,651,992	$ 90,645,478	$ 75,906,649
LIABILITIES AND NET ASSETS					
Accounts payable and accrued liabilities	$ 335,876	$ 232,699	$ -	$ 568,575	$ 489,682
Due to/from	141,445	296	(141,741)	-	-
Split-interest agreement liabilities	39,070	46,505	483,224	568,799	1,133,395
Notes payable	4,628,310	-	-	4,628,310	-
Total liabilities	5,144,701	279,500	341,483	5,765,684	1,623,077
Net assets:					
Unrestricted	25,099,280	-	-	25,099,280	20,093,289
Temporarily restricted	-	11,470,005	-	11,470,005	10,851,721
Permanently restricted	-	-	48,310,509	48,310,509	43,338,562
Total net assets	25,099,280	11,470,005	48,310,509	84,879,794	74,283,572
Total liabilities and net assets	$ 30,243,981	$ 11,749,505	$ 48,651,992	$ 90,645,478	$ 75,906,649

Foundation Statement of Activities and Changes in Net Position

CLARK COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Year Ended June 30, 2014 Total	Year Ended June 30, 2013 Total
SUPPORT, REVENUE, AND GAINS					
Support					
Contributions	$ 4,160,705	$ 2,438,796	$ 1,413,888	$ 8,013,389	$ 1,782,157
Donated services and use of facility	58,085	-	-	58,085	58,085
Total support	4,218,790	2,438,796	1,413,888	8,071,474	1,840,242
Revenue and gains					
Special events and other	12,821	91,516	-	104,337	107,475
Lease income	13,450	-	-	13,450	12,500
Loss on disposal of property and equipment	(596)	-	-	(596)	(276)
Realized gain on investments	107,528	60,686	47,839	216,053	2,683,904
Net unrealized gain on investments	3,927,089	1,166,622	3,138,318	8,232,029	2,988,509
Change in value of split-interest agreements	4,554	762,385	136,428	903,367	175,610
Total revenue and gains	4,064,846	2,081,209	3,322,585	9,468,640	5,967,722
Net assets released from restrictions and other redesignations	3,666,247	(3,901,721)	235,474	-	-
Total support, revenue, and gains	11,949,883	618,284	4,971,947	17,540,114	7,807,964
EXPENSES					
Program services					
College program and capital support	4,158,877	-	-	4,158,877	1,571,802
Scholarships	620,867	-	-	620,867	601,526
Total program services	4,779,744	-	-	4,779,744	2,173,328
Supporting services					
Lease expense	42,448	-	-	42,448	44,905
Fundraising	814,463	-	-	814,463	584,143
Management and general	1,307,237	-	-	1,307,237	846,264
Total supporting services	2,164,148	-	-	2,164,148	1,475,312
Total expenses	6,943,892	-	-	6,943,892	3,648,640
CHANGE IN NET ASSETS	5,005,991	618,284	4,971,947	10,596,222	4,159,324
NET ASSETS, beginning of year	20,093,289	10,851,721	43,338,562	74,283,572	70,124,248
NET ASSETS, end of year	$ 25,099,280	$ 11,470,005	$ 48,310,509	$ 84,879,794	$ 74,283,572

Notes to the Financial Statements

June 30, 2014
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 discrete component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. A discrete component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2014, the Foundation distributed approximately $4.8 million 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, liabilities, net position, revenues, expenses, changes in net position and cash flows.

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities (GASB 65), which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB 65 is effective for financial statements for periods beginning after December 15, 2012. The College did not make any changes as a result of this pronouncement.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), which improves accounting and financial reporting by state and local governments for pensions. This statement also supersedes GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as GASB Statement No. 50, *Pension Disclosures*. GASB 68 is effective for fiscal years beginning after June 15, 2014. The College will implement this pronouncement during the 2015 fiscal year.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70), which improves recognition, measurement and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. GASB 70 is effective for fiscal years beginning after June 15, 2013. The College did not make any changes as a result of this pronouncement.

Basis of Accounting

The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

During the course of operations, numerous transactions occur between funds for goods provided and services rendered. For the financial statements, interfund receivables and payables have generally been eliminated. However, revenues and expenses from the College's auxiliary enterprises are treated as though the College were dealing with private vendors. For all other funds, transactions that are reimbursements of expenses are recorded as reductions of expense.

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand and bank demand deposits. Cash equivalents are defined as highly liquid investments with an original maturity of 90 days or less. Funds invested through the Washington State Treasurer's Local Government Investment Pool are reported as cash equivalents. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. The College records all cash, cash equivalents, and investments at fair value.

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

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

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

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

Land, buildings and equipment are recorded at cost, or if acquired by gift, at fair market value at the date of the gift. As this is the first institution-level financial statement prepared by the College, GASB 34 guidance concerning preparing initial estimates for historical cost and accumulated depreciation related to infrastructure was followed. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets and software with a unit cost of $1,000,000 or more, buildings and improvements with a unit cost of $100,000 or more, library collections with a total cost of $5,000 or more and all other assets with a unit cost of $5,000 or more are capitalized. Depreciation is computed using the straight line method over the estimated useful life of the asset as defined by the State of Washington's Office of Financial Management. Useful lives generally range from 15 to 50 years for buildings and improvements, 15 to 50 years for other improvements and infrastructure, 7 years for library resources and 2 to 10 years for most equipment and 11 to 40 years for heavy duty equipment.

In accordance with GASB Statement 42, the College reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2014, no assets had been written down.

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

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

Net 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.

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.

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

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

Non-operating Expenses. Non-operating expenses include interest incurred on the Certificate of Participation Loan.

Scholarship Discounts and Allowances
Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2014 are $9,844,834.

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.

2. Cash and Cash Equivalents
Cash and cash equivalents include bank demand deposits, petty cash held at the College and unit shares in the Washington State Treasurer's Local Government Investment Pool (LGIP). The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17 CFR 270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both the market and credit risk. The LGIP is an unrated investment pool.

As of June 30, 2014, the carrying amount of the College's cash and equivalents was $17,597,346 as represented in the table below.

Cash and Cash Equivalents	**Amount**
Petty Cash and Change Funds	$14,000
Bank Demand and Local Government Investment Pool	$17,583,346
Total Cash and Cash Equivalents	**$17,597,346**

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

Interest Rate Risk—Investments
While the College does not currently have any investments other than the LGIP, when investing historically, the College manages its exposure to interest rate changes by limiting the duration of investments to mature at various points in the year. The College administrative policy 450.033

identifies investment parameters as ranging from overnight and up to one year in duration, depending on the stability of the cash balance and the annual cycle of cash liquidity needs.

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

Custodial Credit Risk—Investments
Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2014, the college did not have any investments other than the LGIP.

Investment Expenses
Under implementation of GASB 35, investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2014 were $1,510.

3. Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenditures made according to sponsored agreements. At June 30, 2014, accounts receivable were as follows:

Accounts Receivable		**Amount**
Student Tuition and Fees	$	1,079,977
Due from the Federal Government	$	176,684
Due from State Appropriation	$	2,668,934
Due from Other State Agencies	$	688,427
Auxiliary Enterprises	$	130,391
Other	$	2,380,621
Subtotal	$	7,125,034
Less Allowance for Uncollectible Accounts	$	324,752
Accounts Receivable, net	**$**	**6,800,282**

4. Inventories

Inventories, stated at cost using the FIFO method, consisted of the following as of June 30, 2014:

Inventories		**Amount**
Consumable Inventories	$	21,605
Merchandise Inventories	$	1,178,023
Inventories	**$**	**1,199,628**

5. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2014 is presented as follows. The current year depreciation expense was $3,519,294.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Nondepreciable capital assets				
Land	$ 6,129,056	$ -	$ -	$ 6,129,056
Construction in progress	0	1,170,008	0	1,170,008
Total nondepreciable capital assets	6,129,056	1,170,008	0	7,299,064
Depreciable capital assets				
Buildings	124,327,581	2,594,129	(269,860)	126,651,850
Other improvements and infrastructure	6,428,737	120,120	(264,998)	6,283,859
Equipment	8,011,861	1,386,875	(527,464)	8,871,272
Library resources	3,668,406	57,048	0	3,725,454
Subtotal depreciable capital assets	142,436,585	4,158,172	(1,062,322)	145,532,435
Less accumulated depreciation				
Buildings	35,293,790	2,464,511	(207,531)	37,550,770
Other improvements and infrastructure	3,266,022	237,608	(221,579)	3,282,051
Equipment	6,044,337	763,428	(594,926)	6,212,839
Library resources	3,498,306	53,747	0	3,552,053
Total accumulated depreciation	48,102,455	3,519,294	(1,024,036)	50,597,713
Total depreciable capital assets	94,334,130	638,878	(38,286)	94,934,722
Capital assets, net of accumulated depreciation	**$100,463,186**	**$ 1,808,886**	**$ (38,286)**	**$102,233,786**

6. Accrued Liabilities

At June 30, 2014, accrued liabilities are the following:

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	$ 1,900,580
Amounts Held for Others and Retainage	$ 1,106,205
Total Accounts Payable and Accrued Liabilities	**$ 3,006,784**

7. Unearned Revenue

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

Unearned Revenue	Amount
Summer and Fall Quarter Tuition & Fees	$ 3,594,646
Other Deposits	156,389
Total Unearned Revenue	**$ 3,751,035**

8. Risk Management

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The college finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2013 through June 30, 2014, were $111,526. Cash reserves for unemployment compensation for all employees at June 30, 2014, were $25,906.

The College purchases commercial property insurance through the master property program administered by the Department of Enterprise Services. The policy has a deductible of $250,000 per occurrence and the policy limit is $100,000,000 per occurrence. The College has had no claims in excess of the coverage amount within the past three years. The College currently has elected to have coverage for two buildings, the contents of eight buildings and business interruption for the building that houses our primary data center. The College made these selections by carefully evaluating building age, condition, contents, and use. The College assumes its potential property losses for all other buildings and contents on campus.

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

9. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled $1,545,340, and accrued sick leave totaled $3,660,879 at June 30, 2014.

Accrued annual and sick leave are categorized as non-current liabilities.

10. 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, 2014, the minimum lease payments under operating leases consist of the following:

Leases Payable		
Fiscal Year	Equipment Leases	Property Leases
2015	$ 153,847	$ 348,313
2016	153,847	328,873
2017	153,847	324,013
2018	0	81,003
2019	0	0
2020-2024	0	0
Total minimum lease payments	**$ 461,541**	**$ 1,082,202**

11. Notes Payable

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

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

The College's debt service requirements for this note agreement are for the next three years.

12. Annual Debt Service Requirements

Future debt service requirements at June 30, 2014 are as follows:

Annual Debt Service Requirements			
	Certificates of Participation		
Fiscal year	Principal	Interest	Total
2015	$ 495,000	$ 28,295	$ 523,295
2016	510,000	39,265	549,265
2017	530,000	20,140	550,140
2018	-	-	-
2019	-	-	-
Total	**$ 1,535,000**	**$ 87,700**	**$ 1,622,700**

13. Schedule of Long Term Debt

	Balance outstanding 6/30/13	Additions	Reductions	Balance outstanding 6/30/14	Current portion
Certificates of Participation	$ 2,015,000		$ (480,000)	$ 1,535,000	$ 495,000
Total	**$ 2,015,000**	**$ -**	**$ (480,000)**	**$ 1,535,000**	**$ 495,000**

14. Pension Plans

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

For FY 2014, the payroll for College employees was $13,669,594 for PERS, $1,188,868 for TRS, and $23,885,362 for SBRP. Total covered payroll was $38,743,824.

PERS and TRS

Plan Descriptions. PERS Plan 1 provides retirement and disability benefits and minimum benefit increases to eligible nonacademic plan members hired prior to October 1, 1977. PERS Plans 2 and 3 provide retirement and disability benefits and a cost-of-living adjustment to eligible nonacademic plan members hired on or after October 1, 1977. Retirement benefits are vested after five years of eligible service. PERS Plan 3 has a defined contribution component that members may elect to self-direct as established by the Employee Retirement Benefits Board. PERS 3 defined benefit plan benefits are vested after an employee completes five years of eligible service.

TRS Plan 3 provides retirement benefits to certain eligible faculty hired on or after October 1, 1977. The plan includes both a defined benefit portion and a defined contribution portion. The defined benefit portion is funded by employer contributions only. Benefits are vested after an employee completes five or ten years of eligible service, depending on the employee's age and service credit, and include an annual cost-of living adjustment. The defined contribution component is fully funded by employee contributions and investment performance.

The college also has 3 faculty members with pre-existing eligibility who continue to participate in TRS 1 or 2.

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

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

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

Contribution Rates and Required Contributions. The College's contribution rates and required contributions for the above retirement plans for the years ending June 30, 2014, 2013, and 2012 are as follows:

Contribution Rates at June 30						
	FY 2012		**FY 2013**		**FY 2014**	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	6.00%	7.08%	6.00%	7.21%	6.00%	9.21%
Plan 2	4.64%	7.08%	4.64%	7.21%	4.92%	9.21%
Plan 3	5 - 15%	7.08%	5 - 15%	7.21%	5 - 15%	9.21%
TRS						
Plan 1	6.00%	8.04%	6.00%	8.05%	6.00%	10.39%
Plan 2	4.69%	8.04%	4.69%	8.05%	4.69%	10.39%
Plan 3	5-15%	8.04%	5-15%	8.05%	5-15%	10.39%

Required Contributions						
	FY 2012		**FY 2013**		**FY 2014**	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	$10,681	$12,802	$9,692	$11,647	$8,615	$13,219
Plan 2	$420,888	$653,697	$429,005	$666,738	$468,714	$877,120
Plan 3	$241,088	$252,371	$243,171	$258,219	$261,310	$367,797
TRS						
Plan 1	$8,646	$11,282	$4,592	$6,159	$1,743	$2,940
Plan 2	$3,595	$6,204	$3,797	$6,516	$4,108	$8,394
Plan 3	$41,961	$37,684	$65,828	$69,612	$79,255	$110,656

State Board Retirement Plan

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

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

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

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

The SBCTC is authorized to amend benefit provisions 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, 2014 were each $2,065,079.

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2014, supplemental benefits were paid by the SBCTC on behalf of the College in the amount of $108,193. 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 2014, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $121,573. As of June 30, 2014, the SBCTC system accounted for $5,008,355 of the fund balance.

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

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

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

The actuary allocated the statewide disclosure information to the community and technical college system level. The SBCTC further allocated these amounts among the colleges. The College's share of the GASB 45 actuarially accrued liability (AAL) is $21,545,883, with an annual required contribution (ARC) of $2,105,044. The ARC represents the amortization of the liability for FY 2014 plus the current expense for active employees, which is reduced by the current contributions of approximately $396,072. The College's net OPEB obligation at June 30, 2014 was approximately $1,708,972. This amount is not included in the College's financial statements.

The College paid $7,417,461 for healthcare expenses in 2014, which included its pay-as-you-go portion of the OPEB liability.

15. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Assets, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, student financial aid, and academic support. The following table lists operating expenses by program for the year ending June 30, 2014.

Expenses by Functional Classification	
Instruction	$ 37,195,049
Academic Support Services	7,868,654
Student Services	7,843,039
Institutional Support	7,192,717
Operations and Maintenance of Plant	7,270,891
Scholarships and Other Student Financial Aid	23,508,931
Auxiliary enterprises	9,425,721
Compensated Absences	262,832
Depreciation	3,519,294
Total Operating Expenses	**$ 104,087,128**

16. Commitments and Contingencies

There is a class action filed against the State of Washington on behalf of certain employees alleging improper denial of healthcare benefits. Although the College has not been named as a defendant in the lawsuit, some of the class members are current or former employees of the College. Potentially, the state could assess the College with a material share of any amount paid in the event of a settlement or judgment. Due to the status of the lawsuit, the impact upon the College cannot be assessed with reasonable certainty at present.

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

The College has commitments of $36,661,716 for various capital improvement projects that include construction and completion of the new Science, Technology, Engineering, and Math (STEM) building and renovations of existing buildings. At June 30, 2014, the STEM building construction was in the preliminary phase. The building is currently being constructed on land owned by the State of Washington Department of Enterprise Services, but title is expected to be transferred in October 2014 to the SBCTC prior to the completion of the building.

17. Subsequent Events

In December 2014, the College satisfied the COP debt detailed in note 12. The College was able to satisfy the loan two years earlier than anticipated, resulting in a significant savings in interest charges.