CLARK COLLEGE

2016 ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2016

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Clark College

2016 Financial Report

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Institutional Planning and Effectiveness
Clark College
1933 Fort Vancouver Way
Vancouver, WA 98663
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Trustees and Executive Officers

EXECUTIVE OFFICERS
Robert K. Knight, President
Bob Williamson, Vice President of Administrative Services
Dr. Tim Cook, Vice President of Instruction
William Belden, Vice President of Student Affairs
Kevin Witte, Vice President of Economic and Community Development
Shanda Diehl, Associate Vice President of Planning and Effectiveness
Dr. Chato Hazelbaker, Chief Communications Officer and Interim Technology Director
Lisa Gibert, Clark College Foundation President and CEO

Trustees and Officer list effective as of October 31, 2016

Independent Auditor's Report on Financial Statements

Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Clark College

For the period July 1, 2015 through June 30, 2016

Published March 2, 2017
Report No. 1018650

Office of the Washington State Auditor
Pat McCarthy

March 2, 2017

Board of Trustees
Clark College
Vancouver, Washington

Report on Financial Statements

Please find attached our report on the Clark College's financial statements.

We are issuing this report in order to provide information on the College's financial condition.

Sincerely,

Pat McCarthy

Pat McCarthy
State Auditor
Olympia, WA

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Clark College
July 1, 2015 through June 30, 2016

Board of Trustees
Clark College
Vancouver, Washington

We have audited, 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, the 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, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 10, 2017.

Our report includes a reference to other auditors who audited the financial statements of the Clark College Foundation, as described in our report on the College's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Clark College Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Clark College Foundation. The Clark College Foundation prior year comparative information has been derived from the Foundation's financial statements for the year ended June 30, 2015, on which other auditors issued their report dated November 13, 2015.

The financial statements of Clark College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2016, the changes in its financial position, or 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of the College's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

February 10, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Clark College
July 1, 2015 through June 30, 2016

Board of Trustees
Clark College
Vancouver, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the 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, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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, 2016, 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, and cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2016, the changes in its financial position, or 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, 2015, from which such partial information was derived. Other auditors have previously audited the Clark College Foundation's financial statements for the year ended June 30, 2015 and they expressed an unmodified opinion in their report dated November 13, 2015.

Other Matters

Required Supplementary Information

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

Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2017, 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.

Pat McCarthy

Pat McCarthy
State Auditor
Olympia, WA

February 10, 2017

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as fraud, state whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov

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, 2016 (FY 2016). This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Reporting Entity

Clark College is one of thirty public community and technical college districts in the state of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 13,000 students. The College confers associates degrees, certificates and high school diplomas. The College was established in 1933. Its primary purpose is to provide opportunities for diverse learners to achieve their educational and professional goals, thereby enriching the social, cultural, and economic environment of our region and the global community.

The College's main campus is located in Vancouver, Washington, a community of about 170,400 residents. The College also offers classes at our satellite locations in east Vancouver at the Columbia Tech Center, and in north Vancouver on the campus of Washington State University Vancouver. Economic and Community Development classes are offered in downtown Vancouver at the Columbia Bank Building. The College is currently planning for a new satellite location in north Clark County and is in the process of building a new Science, Technology, Engineering and Math (STEM) building at its main campus to serve the increased demand for training in these fields. The College is governed by a five member Board of Trustees appointed by the governor with the consent of the state Senate. 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, 2016. 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 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 2016**		**FY 2015**
Assets				
Current Assets		26,062,537		24,080,628
Capital Assets, net		133,156,531		113,685,426
Total Assets	**$**	**159,219,068**	**$**	**137,766,054**
Deferred Outflows	**$**	**2,456,961**	**$**	**1,544,964**
Liabilities				
Current Liabilities		8,441,688		5,787,454
Other Liabilities, non-current		17,666,551		15,234,341
Total Liabilities	**$**	**26,108,239**	**$**	**21,021,795**
Deferred Inflows	**$**	**2,190,884**	**$**	**4,526,010**
Net Position	**$**	**133,376,906**	**$**	**113,763,213**

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The increase of current assets in FY 2016 can primarily be attributed to an increase in the accounts receivable from the Foundation for a capital contribution on the STEM Building, and an increase in cash and cash equivalents, offset by a decrease in the bookstore inventory due to declining enrollment.

Net capital assets increased by $19,471,105 from FY 2015 to FY 2016. After taking into consideration current depreciation expense of $3,726,799 the majority of the increase is the result of the construction in progress of the STEM Building, which is estimated to be completed in September 2016 and is funded through a state capital appropriation. In addition to the STEM Building construction, the College has also begun a significant renovation of the Culinary Arts facility.

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

The increase in current liabilities from FY 2015 to FY 2016 is the result of the College accruing a liability in the *Moore vs. HCA* settlement, an increase in accrued accounts payable for capital cost associated with the construction of the new STEM Building, and an increase in unearned revenue for summer and fall quarters, 2016. In addition, the College estimated, based on a three year average, a portion of vacation and sick leave liability to be accrued as a short term.

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

The College's non-current liabilities increased due to an increase in the College's proportionate share of the net pension liability.
Net position represents the value of the College's assets after liabilities are deducted. The College is required by accounting standards to report its net position in four categories:

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

Restricted:

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

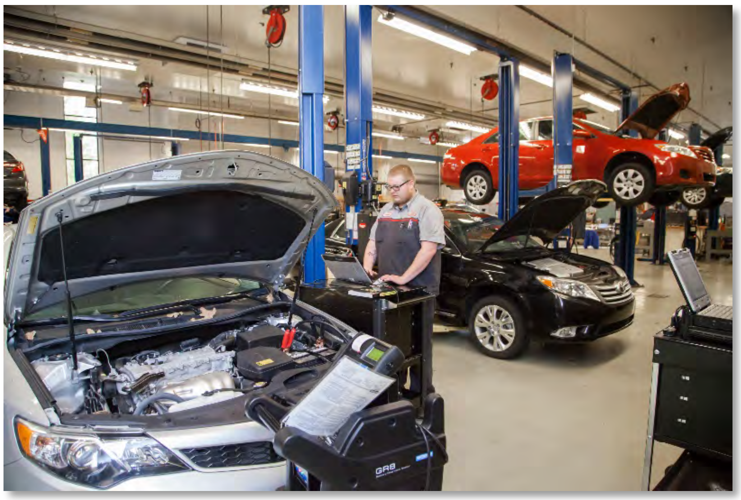
Expendable – resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The expendable balance for the College is funds held for student loans and institutional financial aid funds per RCW 28B.15.820.

Unrestricted: Includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or Executive Cabinet. Prudent balances are maintained for use as working capital, as a reserve against emergencies and for other purposes, in accordance with policies established by the Board of Trustees.

Net Position As of June 30th	**FY 2016**	**FY 2015**
Net investment in capital assets	$133,156,531	$113,685,426
Restricted		
Expendable -Grants in Aid	348,419	1,123,921
Expendable - Student Loans	35,893	43,816
Unrestricted	(163,937)	(1,089,950)
Total Net Position	**$133,376,906**	**$113,763,213**

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 2016. 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.

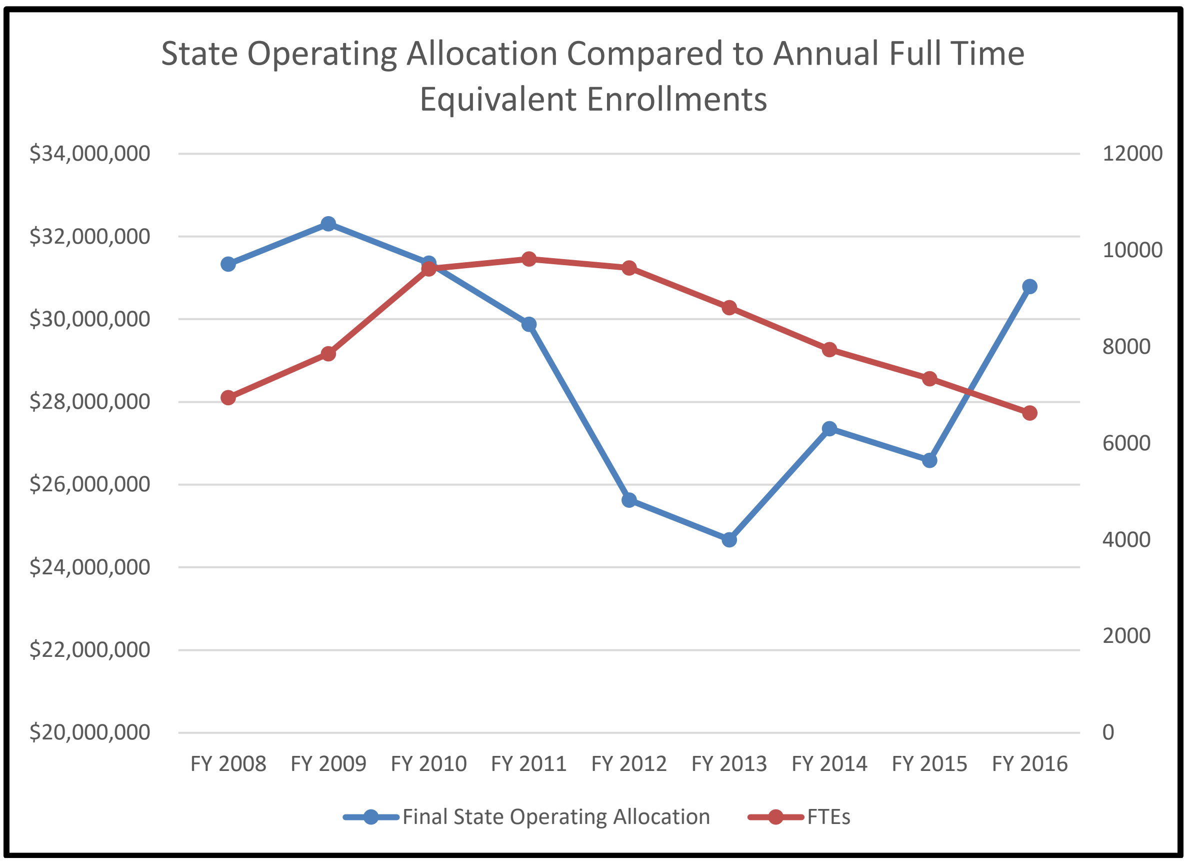
Operating expenses are expenses incurred in the normal operation of the College, including depreciation on property and equipment. When operating revenues, excluding state appropriations and Pell Grants, are measured against operating expenses, the College shows an operating loss. The operating loss 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, expense and changes in net position for the years ended June 30, 2016 and 2015 is presented on the following page.

As of June 30th		FY 2016		FY 2015
Operating Revenues	$	53,619,137	$	54,889,594
Operating Expenses		98,791,399		98,648,207
Net Operating Loss		**(45,172,262)**		**(43,758,613)**
Non-Operating Revenues and Expenses		41,567,041		40,377,713
Loss Before Other		**(3,605,221)**		**(3,380,900)**
Capital Appropriations and Contributions		23,218,914		16,239,626
Increase in Net Position		**19,613,693**		**12,858,726**
Net Position, Beginning of the Year		**113,763,213**		**100,904,487**
Net Position, End of the Year	**$**	**133,376,906**	**$**	**113,763,213**

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.

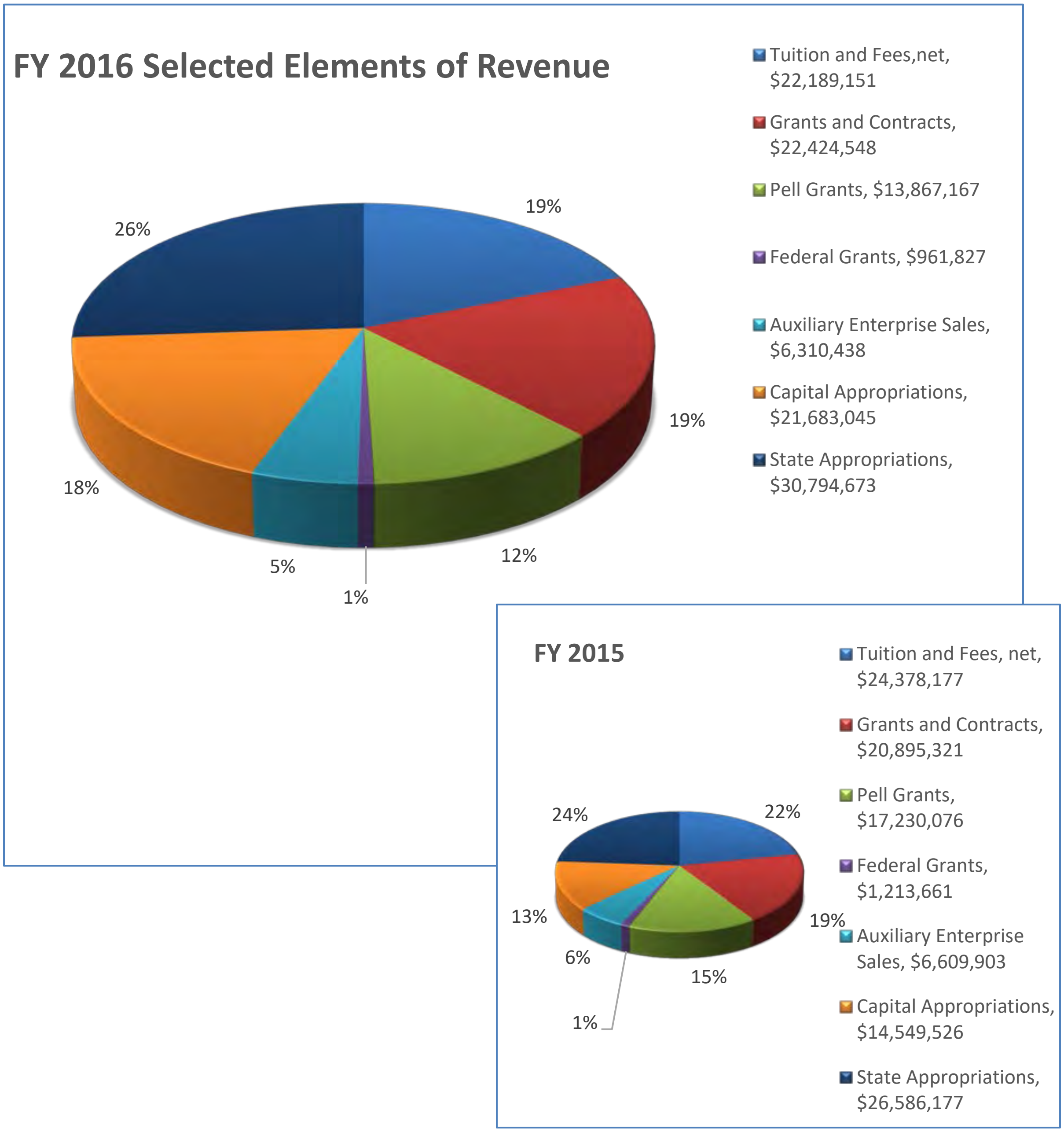


In FY 2016, the Legislature enacted the Affordable Education Act, which reduced tuition by 5% at the College. This reduced the amount of tuition revenue collected by the College. The Legislature did however backfill a portion of this loss as seen in the graph on page 12.

In FY 2016, the College's decrease in tuition and fee revenue is primarily attributable to the decline in enrollment along with changes in enrollment levels such as fewer part-time students, but was offset slightly by an increase in international students. Pell Grant revenues generally follow enrollment trends. As the College's enrollment decreased during FY 2016, so did the College's Pell Grant revenue. For FY 2016, the College attempted to keep other fees as stable as possible, resulting in only small changes in these revenues.

In FY 2016, state and local operating grant and contract revenues increased by $1,529,227 when compared with FY 2015. This is primarily attributable to a steady increase in Running Start enrollments. 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 and may carry unexpended amounts forward into one or two future biennia, depending on the original purpose of the funding. In accordance with accounting standards, the amount shown as capital appropriation revenue on the financial statement is the amount expended in the current year. Expenditures from capital project funds that do not meet accounting standards for capitalization are reported as operating expenses. Those expenditures that meet the capitalization standard are not shown as expense in the current period and are instead recognized as depreciation expense over the expected useful life of the asset.



Expenses

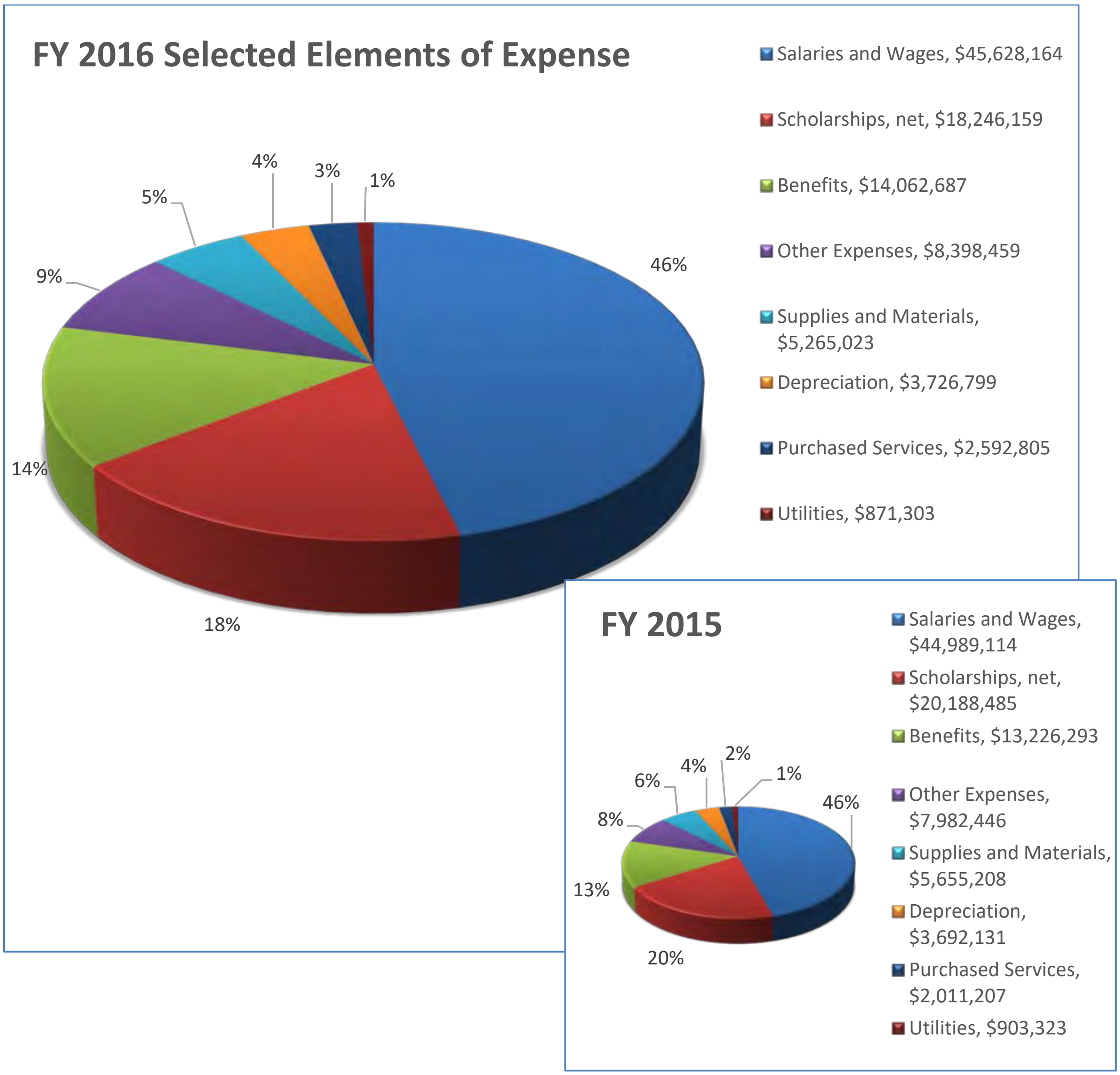
Faced with severe budget cuts over the past six years, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College was subject to various state spending freezes and employee salary reductions.

More recently, in FY 2016, salary and benefit costs increased by more than $639,000 as a direct result of the 3% salary increase appropriately by the Legislature. In addition, benefits increased by over $836,000 as a result of the increased healthcare and retirement costs, as well as the accrual of pension adjustments related to GASB 68 reporting.

Scholarships declined by over $1.9 million in FY 2016. This is in direct correlation to the decline in enrollment, whereby the College served fewer students seeking aid than in prior years.

Supplies and materials are decreased by approximately $390,000 in FY 2016, primarily as a result of intentional reductions in spending as well as fewer supplies needed as a result of fewer course offerings. In addition, purchased services increased by more than $581,000 as a result of a change in expense classification related to maintenance expenses associated with the College's building located at Washington State University-Vancouver Campus. 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.

All other costs are reported as other expenses. Examples include printing and reproduction, employee training, and operating lease expenses, as well as the accrued expenditure associated with the *Moore vs. HCA* liability.



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, 2016, the College had invested $133,156,531 in capital assets, net of accumulated depreciation. This represents an increase of $19,471,105 from last year, as shown in the table below.

Asset Type	June 30, 2016	June 30, 2015	Change
Land	$10,904,347	$9,794,670	$1,109,677
Construction in Progress	$32,618,594	$11,249,240	$21,369,354
Buildings, net	$83,900,022	$86,468,712	-$2,568,690
Other Improvements and Infrastructure, net	$3,172,412	$3,437,826	-$265,414
Equipment, net	$2,383,378	$2,566,705	-$183,327
Library Resources, net	$177,778	$168,273	$9,505
Total Capital Assets, Net	**$133,156,531**	**$113,685,426**	**$19,471,105**

The increase in net capital assets can be attributed to the construction in progress of the STEM Building and normal replacement and acquisition of equipment and library resources. The only significant capital project in process on June 30, 2016 was the STEM Building. Additional information on capital assets can be found in Note 7 of the Notes to the Financial Statements.

South facade view of the new STEM building

Economic Factors That May Affect the Future

From FY 2009 through FY 2015, the College's state operating appropriations decreased by approximately 15 percent. Compounding that decrease was the enactment of the Affordable Education Act in FY 2016, which reduced tuition rates by 5% at the College. The Legislature did, however, backfill a portion of this loss. In FY 2017, the State Board for Community and Technical College's moved to a new allocation model, changing how the funds appropriated by the Legislature are distributed to each college. The new model is based on performance in several key indicators, from general enrollments to enrollments in high cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state. Due to declining enrollment, it is estimated that the College will likely see a decline in state operating appropriations in future years, until the three-year average is increased above our target enrollment allocation.

In the fall of 2016, the College opened its new Science, Technology, Engineering and Math (STEM) Building with the anticipation of increased STEM student enrollments. In addition, the College is preparing to begin a major remodel of the Culinary Arts facility and instructional program with an expected completion date of winter 2018. The revitalized program is also projected to bring in additional enrollments as well.

In July 2017 the College is expecting to receive \$5.2 million in state capital funding to begin pre-design and design work on its first 70,000 square foot building for the new 70-acre location in Ridgefield. Construction is expected to begin in 2019.

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 such as the McCleary Act.

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College Statement of Net Position

Clark College
Statement of Net Position
As of June 30, 2016

	2016
Assets	
Current Assets	
Cash and cash equivalents (Note 2)	16,982,723
Restricted cash and cash equivalents (Note 2)	812,056
Accounts receivable, net (Note 3)	7,158,210
Student loans receivable, net (Note 4)	22,446
Inventories (Note 5)	956,702
Prepaid expenses	130,400
Total current assets	**26,062,537**
Non-Current Assets	
Non-depreciable capital assets (Note 6)	43,522,941
Depreciable Capital Assets, Net (Note 6)	89,633,590
Total non-current assets	**133,156,531**
Total assets	**159,219,068**
Deferred Outflows of Resources (Note 7 and 14)	**2,456,961**
Liabilities	
Current Liabilities	
Accounts payable	947,204
Accrued liabilities (Note 8)	3,809,918
Compensated absences (Note 11)	337,239
Deposits payable	119,561
Unearned revenue (Note 9)	3,227,766
Total current liabilities	**8,441,688**
Non-Current Liabilities	
Compensated absences (Note 11)	4,998,723
Pension liabilty (Note 13 and 14)	12,667,828
Total non-current liabilities	**17,666,551**
Total liabilities	**26,108,239**
Deferred Inflows of Resources (Note 7 and 14)	**2,190,884**
Net Position	
Net Investment in Capital Assets	133,156,531
Restricted for:	
Nonexpendable	-
Expendable	348,419
Student loans	35,893
Unrestricted	(163,937)
Total Net Position	**133,376,906**

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

Foundation Statement of Financial Position

CLARK COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR JUNE 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total June 30, 2016	Total June 30, 2015
ASSETS					
Cash	$ 434,119	$ -	$ -	$ 434,119	$ 493,183
Investments	17,571,444	9,689,767	46,946,395	74,207,606	77,758,253
Pledges and other receivables, net	65,880	4,105,850	295,296	4,467,026	1,328,924
Other assets	120,217	-	-	120,217	116,667
Split-interest agreements	-	86,966	923,010	1,009,976	1,118,811
Property and equipment, net	1,255,890	-	568,480	1,824,370	1,864,201
Land held for contribution and development	11,782,417	-	-	11,782,417	11,745,868
Total assets	$ 31,229,967	$ 13,882,583	$ 48,733,181	$ 93,845,731	$ 94,425,907
LIABILITIES AND NET ASSETS					
Accounts payable and accrued liabilities	$ 1,551,982	$ 200,161	$ -	$ 1,752,143	$ 687,398
Due to/from	363,812	(227,880)	(135,932)	-	-
Split-interest agreement liabilities	42,055	71,156	375,757	488,968	549,539
Notes payable	2,873,600	-	-	2,873,600	4,251,388
Total liabilities	4,831,449	43,437	239,825	5,114,711	5,488,325
Net assets:					
Unrestricted	26,398,518	-	-	26,398,518	26,227,021
Temporarily restricted	-	13,839,146	-	13,839,146	12,338,865
Permanently restricted	-	-	48,493,356	48,493,356	50,371,696
Total net assets	26,398,518	13,839,146	48,493,356	88,731,020	88,937,582
Total liabilities and net assets	$ 31,229,967	$ 13,882,583	$ 48,733,181	$ 93,845,731	$ 94,425,907

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, 2016

	2016
Operating Revenues	
Student tuition and fees	30,323,668
Less scholarship discounts and allowances	(8,134,517)
Auxiliary enterprise sales	6,310,438
State and local grants and contracts	22,424,548
Federal grants and contracts	961,827
Other operating revenues	1,733,173
Total operating revenue	**53,619,137**
Operating Expenses	
Salaries and wages	45,628,164
Benefits	14,062,687
Scholarships, net of discounts	18,246,159
Other expense	8,398,459
Supplies and materials	5,265,023
Depreciation	3,726,799
Purchased services	2,592,805
Utilities	871,303
Total operating expenses	**98,791,399**
Operating income (loss)	**(45,172,262)**
Non-Operating Revenues (Expenses)	
State appropriations	30,794,673
Federal Pell grant revenue	13,867,167
Investment income, gains and losses	58,444
Loss on disposal	(59,685)
Building fee remittance	(2,492,651)
Innovation fund remittance	(600,907)
Net non-operating revenues (expenses)	**41,567,041**
Income or (loss) before capital contributions	(3,605,221)
Capital appropriations	21,683,045
Capital contribution-Foundation	1,535,869
Increase (decrease) in net position	**19,613,693**
Net Position	
Net position, beginning of year	113,763,213
Net position, end of year	**133,376,906**

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

Foundation Statement of Activities and Changes in Net Position

CLARK COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Year Ended June 30, 2016 Total	Year Ended June 30, 2015 Total
SUPPORT, REVENUE, AND GAINS					
Support					
Contributions	$ 1,022,195	$ 4,128,267	$ 346,685	$ 5,497,147	$ 1,663,730
Donated services and use of facility	58,085	-	-	58,085	58,085
Total support	1,080,280	4,128,267	346,685	5,555,232	1,721,815
Revenue and gains					
Special events and other	8,563	114,998	-	123,561	182,830
Loss on disposal of property and equipment	(5,111)	-	-	(5,111)	(282,941)
Realized gain on investments	982,747	589,016	2,820,726	4,392,489	2,365,180
Net unrealized gain (loss) on investments	917,134	(294,985)	(4,931,602)	(4,309,453)	3,906,275
Change in value of split-interest agreements	(866)	2,839	(14,297)	(12,324)	7,073
Total revenue and gains	1,902,467	411,868	(2,125,173)	189,162	6,178,417
Net assets released from restrictions and other redesignations	3,139,706	(3,039,854)	(99,852)	-	-
Total support, revenue, and gains	6,122,453	1,500,281	(1,878,340)	5,744,394	7,900,232
EXPENSES					
Program services					
College program and capital support	3,344,558	-	-	3,344,558	1,530,359
Scholarships	848,625	-	-	848,625	672,913
Total program services	4,193,183	-	-	4,193,183	2,203,272
Supporting services					
Fundraising	871,988	-	-	871,988	801,426
Management and general	885,785	-	-	885,785	837,746
Total supporting services	1,757,773	-	-	1,757,773	1,639,172
Total expenses	5,950,956	-	-	5,950,956	3,842,444
CHANGE IN NET ASSETS	171,497	1,500,281	(1,878,340)	(206,562)	4,057,788
NET ASSETS, beginning of year	26,227,021	12,338,865	50,371,696	88,937,582	84,879,794
NET ASSETS, end of year	$ 26,398,518	$ 13,839,146	$ 48,493,356	$ 88,731,020	$ 88,937,582

College Statement of Cash Flows

Clark College

Statement of Cash Flows

For the Years Ended June 30, 2016

	2016
Cash flow from operating activities	
Student tuition and fees, net	23,055,586
Grants and contracts	23,619,182
Payments to vendors	(14,794,477)
Payments for utilities	(870,270)
Payments to employees	(45,471,349)
Payments for benefits	(15,040,449)
Auxiliary enterprise sales	6,424,175
Payments for scholarshipss	(18,246,159)
Loans issued to students	(70,968)
Collection of loans to students	63,012
Other receipts (payments)	(493,984)
Net cash used by operating activities	**(41,825,701)**
Cash flow from noncapital financing activities	
State appropriations	30,512,801
Pell grants	13,867,167
Building fee remittance	(2,504,162)
Innovation fund remittance	(586,290)
Net cash provided by noncapital financing activit	**41,289,516**
Cash flow from capital and related financing activities	
Capital appropriations	23,047,319
Capital contribution-Foundation	328,685
Purchases of capital assets	(22,768,636)
Net cash used by capital and related financing ac	**607,368**
Cash flow from investing activities	
Income of investments	58,444
Net cash provided by investing activities	**58,444**
Increase (decrease) in cash and cash equivalents	**129,627**
Cash and cash equivalents at the beginning of the year	**17,665,152**
Cash and cash equivalents at the end of the year	**17,794,779**

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	$	(45,172,262)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense	$	3,726,799
Changes in assets and liabilities		
Receivables , net	$	(2,107,674)
Inventories		282,291
Other assets		24,178
Accounts payable		383,484
Accrued liabilities		793,751
Deferred revenue		1,092,427
Compensated absences		179,736
Pension liability adjustment expense		(997,364)
Deposits Payable		(23,111)
Loans to students and employees		(7,956)
Net cash used by operating activities	**$**	**(41,825,701)**

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, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (206,562)	$ 4,057,788
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	46,959	51,096
Loss on disposal of property and equipment	5,111	282,941
Contribution of property and equipment	-	(426,840)
Unrealized (gain) loss on investments	4,309,453	(3,906,275)
Realized gain on investments	(4,392,489)	(2,365,180)
Change in value of split-interest agreements	12,324	(7,073)
Contributions restricted to long-term investment	(346,685)	(219,604)
Change in pledges receivable discount	898,177	-
Increase (decrease) in cash due to changes in assets and liabilities		
Pledges and other receivables	(4,036,279)	953,698
Other assets	(3,550)	11,043
Split-interest agreements	96,511	98,560
Accounts payable and accrued liabilities	1,064,745	118,823
Split-interest agreement liabilities	(60,571)	(19,260)
Net cash flows from operating activities	(2,612,856)	(1,370,283)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(49,788)	(52,579)
Proceeds from sale of assets	1,000	-
Purchase of investments	(14,896,980)	(15,917,675)
Proceeds from sale of investments	18,530,663	17,473,515
Net cash flows from investing activities	3,584,895	1,503,261
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(1,377,788)	(376,922)
Contributions restricted to long-term investment	346,685	219,604
Net cash flows from financing activities	(1,031,103)	(157,318)
NET CHANGE IN CASH	(59,064)	(24,340)
CASH, beginning of year	493,183	517,523
CASH, end of year	$ 434,119	$ 493,183
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES		
Noncash contributions	$ 285,893	$ 473,486

Notes to the Financial Statements

June 30, 2016
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, 2016, the Foundation distributed approximately $3.1 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.

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 fair value.

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

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

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

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

In accordance with GASB Statement 42, the College reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2016, 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 (a) of the Internal Revenue Code and is exempt from federal income taxes on related income.

Net Pension Liability

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

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent consumption of net position that is applicable to a future period. Deferred inflows of resources represent acquisition of net position that is applicable to a future period. Changes in net position liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

Net Position

The College's net position is classified as follows:

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

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

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

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

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

Classification of Revenues and Expenses

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

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

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

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

Non-operating Expenses. Non-operating expenses include state remittance related to the building fee and the innovation fee, and loss of 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 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, 2016 are $8,134,517.

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 February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for applying fair value to certain investments, and disclosures related to all fair value measurements. This Statement establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value, and requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The College currently only invests in the Local Government Investment Pool (LGIP), and has no other investments. The College has reviewed this guidance as it applies to the LGIP and has determined that it had no effect of FY 2016 statements.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This Statement is intended to improve financial reporting of governments whose employees are provided with pensions that are not within the scope of Statement No. 68, improve the usefulness of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions not within the scope of Statement No. 68, and to clarify the application of certain provisions of Statements No. 67 and 68. The College is currently working with SBCTC to determine the financial impact.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* which identifies the hierarchy of generally accepted accounting principles (GAAP). The Statement reduced the GAAP hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The College adheres to this hierarchy of GAAP.

In March 2016, the GASB issued Statement No. 82, *Pension Issues-an Amendment of GASB Statements No. 67, No. 68, and No.73.* This Statement essentially addresses issues regarding the presentation of payroll-related measures in the required supplementary information. The College has implemented this standard early in relation to the RSI presented with its financial statements.

3. Cash and Cash Equivalents

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

The LGIP portfolio is invested in a manner that meets the requirements set forth by tl1e Governmental Accounting Standards Board for the maturity, quality, diversification and liquidity for external investment pools that wish to measure all of its investments at amortized costs. The LGIP transacts with its participants at a stable net asset value per share of one dollar, which results in the amortized cost reported equaling the number of shares in the LGIP.

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

The College can contribute or withdraw funds in any amount from the LGIP on a daily basis. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The College adjusts its LGIP investment amounts monthly to reflect interest earnings as reported from the Office of the State Treasurer.

As of June 30, 2016, the carrying amount of the College's cash and cash equivalents was $17,794,779. 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		**2016**
Local Government Investment Pool	$	16,945,809
Bank Demand		21,914
Restricted Cash		812,056
Petty Cash and Change Funds		15,000
Total Cash and Cash Equivalents	**$**	**17,794,779**

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, 2016, 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, 2016 were $1,654.

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 expenditures made according to sponsored agreements. At June 30, 2016, accounts receivable were as follows:

Accounts Receivable		2016
Due from State Appropriation	$	2,033,779
Student Tuition and Fees		1,819,903
Due from the Clark College Foundation		1,288,155
Due from Other State Agencies		1,250,362
Other		1,235,641
Due from Federal Government		601,634
Auxiliary Enterprises		99,425
Subtotal	$	8,328,899
Less Allowance for Uncollectible Accounts		(1,170,689)
Accounts Receivable, net	**$**	**7,158,210**

5. Loans Receivable

Loans receivable as of June 30, 2016 consisted primarily of student loans, as follows.

Loans Receivable		Amount
Student Loans Receivable	$	25,942
Less Allowance for Uncollectible Accounts	$	(3,496)
Loans Receivable, net	**$**	**22,446**

6. Inventories

Inventories, stated at cost using the FIFO method, consisted of the following as of June 30, 2016:

Inventories		2016
Consumable Inventories	$	6,434
Merchandise Inventories	$	950,268
Inventories	**$**	**956,702**

7. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2016 is presented as follows. The current year depreciation expense was $3,726,799.

Capital Assets	Balance at June 30,2015	Additions/ Transfers	Retirements	Balance at June 30,2016
Nondepreciable capital assets				
Land	$ 9,794,670	$ 1,109,677	$ -	$ 10,904,347
Construction in progress	11,249,240	21,369,354	-	32,618,594
Subtotal	21,043,910	22,479,031	-	43,522,941
Depreciable capital assets				
Buildings	126,651,850	156,449	-	126,808,299
Improvements and infrastructure	6,972,558	0	-	6,972,558
Equipment	9,405,716	554,439	(997,136)	8,963,019
Library resources	3,786,175	67,670	-	3,853,845
Subtotal	146,816,299	778,558	(997,136)	146,597,721
Less accumulated depreciation				
Buildings	40,183,138	2,725,139	-	42,908,277
Improvements and infrastructure	3,534,732	265,414	-	3,800,146
Equipment	6,839,011	678,081	(937,451)	6,579,641
Library resources	3,617,902	58,165	-	3,676,067
Total accumulated depreciation	54,174,783	3,726,799	(937,451)	56,964,131
Total depreciable capital assets	92,641,516	(2,948,241)	(59,685)	89,633,590
Capital assets, net of accumulated depreciation	**$ 113,685,426**	**$ 19,530,790**	**$ (59,685)**	**$ 133,156,531**

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 period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The category of deferred outflow of resources reported in statement of net position relates to pensions.

Deferred outflows on pensions are recorded when 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.

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

Deferred inflows on pensions are recorded when 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.

9. Accrued Liabilities

At June 30, 2016, accrued liabilities are the following:

Accrued Liabilities		**2016**
Amounts Owed to Employees	$	1,892,054
Amounts Held for Others and Retainage		624,285
Estimated Settlement Liability		1,293,579
Total Accrued Liabilities	**$**	**3,809,918**

10. Unearned Revenue

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

Unearned Revenue		**2016**
Summer and Fall Quarter Tuition and Fees	$	3,191,562
Other Deposits		36,204
Total Unearned Revenue	**$**	**3,227,766**

11. Risk Management

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

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

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

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, 2015 through June 30, 2016, were $124,360. Cash reserves for unemployment compensation for all employees at June 30, 2016, were $4,527.

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	2016	2015	Change
Vacation	$1,538,893	$1,456,213	$82,680
Sick	3,796,565	3,700,013	96,552
Compensatory	504	-	504
Total	**$5,335,962**	**$5,156,226**	**$179,736**
Current Portion	$ 337,239	$ 339,954	$ (2,715)
Long Term Portion	$ 4,998,723	$ 4,816,272	$ 182,451

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, 2016, the minimum lease payments under operating leases consist of the following:

Leases Payable

Fiscal Year	Equipment Leases	Property Leases
2017	129,482	328,873
2018	129,482	81,003
2019	129,482	-
2020	129,482	-
2021	21,580	-
Total minimum lease payments	**$ 539,508**	**$ 409,876**

14. Pension Liability
Pension liabilities reported as of June 30, 2016 consists of the following:

Pension Liability by Plan		
PERS 1	$	6,235,374
PERS 2/3		5,371,449
TRS 1		838,385
TRS 2/3		222,620
Total	**$**	**12,667,828**

15. Pension Plans

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

For FY 2016, the payroll for College employees was $13,942,112 for PERS, $1,423,164 for TRS, and $23,797,592 for SBRP. Total covered payroll was $39,162,868.

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

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

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for Clark College, for reported year ending June 30, 2016:

Aggregate Pension Amounts - All Plans

Pension liabilities	$	12,667,828
Deferred outflows of resources related to pensions		2,456,961
Deferred inflows of resources related to pensions		2,190,884
Pension expense		703,639

Department of Retirement Systems

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

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

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

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

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

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

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

Higher Education

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

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

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

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

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

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service. This is reduced by 2 percent for each year that the member’s age is less than 55. The total benefit is limited to 60 percent of the AFC. Plan 1 members may elect to receive an optional COLA amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

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

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

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

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

TRS

Plan Description. The Legislature established the TRS Plan in 1938. TRS Plans 1 and 2 are defined benefit plans. TRS Plan 1 was closed to new entrants on September 30, 1977. Employees currently have a choice of entering TRS Plan 2 or 3. TRS Plan 2 and 3 provide retirement benefits to certain eligible faculty hired on or after October 1, 1977. TRS Plan 3 includes both a defined benefit portion and a defined contribution portion. The defined benefit portion is funded by employer contributions only. Benefits are vested after an employee completes five or ten years of eligible service, depending on the employee's age and service credit, and include an annual cost-of living adjustment. The defined contribution component is fully funded by employee contributions and investment performance. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

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

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

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

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

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

The defined benefit portion of TRS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in TRS Plan 2 by July 1, 1996. Plan 3 members are immediately vested in the defined contribution portion of their plan. TRS Plan 3 members have the option to retire early with reduced benefits. TRS members meeting specific eligibility requirements, have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

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

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

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

Contribution Rates and Required Contributions. The College's contribution rates and required contributions for the above retirement plans for the years ending June 30, 2016, 2015, and 2014 are as follows:

Contribution Rates at June 30

	FY 2014		**FY 2015**		**FY 2016**	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	6.00%	9.21%	6.00%	9.21%	6.00%	11.18%
Plan 2	4.92%	9.21%	4.92%	9.21%	6.12%	11.18%
Plan 3	5 - 15%	9.21%	5 - 15%	9.21%	5 - 15%	11.18%
TRS						
Plan 1	6.00%	10.39%	6.00%	10.39%	6.00%	13.13%
Plan 2	4.69%	10.39%	4.96%	10.39%	5.95%	13.13%
Plan 3	5-15%	10.39%	5-15%	10.39%	5-15%	13.13%

Required Contributions

	FY 2014		FY 2015		FY 2016	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	$8,615	$13,219	$8,615	$13,223	$6,887	$12,833
Plan 2	$468,714	$877,120	$451,770	$845,854	$587,476	$1,073,086
Plan 3	$261,310	$367,797	$273,580	$381,792	$280,619	$472,984
TRS						
Plan 1	$1,743	$2,940	$2,162	$3,744	$1,692	$3,613
Plan 2	$4,108	$8,394	$6,069	$12,713	$8,210	$18,025
Plan 3	$79,255	$110,656	$81,989	$115,656	$93,491	$163,032

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, 2015, 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	4.45%
PERS Plan 2/3	4.63%
TRS Plan 1	4.41%
TRS Plan 2/3	4.65%

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

The PERS and TRS target asset allocation and long-term expected real rate of return as of June 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
Total	**100%**	

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

Pension Expense

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

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
Actuarially determined pension expense	$ 371,617	$ 636,543	$ 42,306	$ 63,246	$ 1,113,712
Amortization of change in proportionate liability	(385,671)	(32,332)	1,040	6,890	(410,073)
Total Pension Expense	**$ (14,054)**	**$ 604,211**	**$ 43,346**	**$ 70,136**	**$ 703,639**

Proportionate Shares of Pension Liabilities

The College's proportionate share of pension liabilities for fiscal years ending June 30, 2014 and June 30, 2015 for each retirement plan are listed below:

Plan	2014	2015	Change
PERS 1	0.126007%	0.119202%	-0.006805%
PER 2/3	0.158501%	0.150332%	-0.008169%
TRS 1	0.026433%	0.026463%	0.000030%
TRS 2/3	0.026905%	0.026383%	-0.000522%

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

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014 with the results rolled forward to the June 30, 2015 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation 3.00%
- Salary Increases 3.75%
- Investment rate of return 7.50%

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The discount rate used to measure the total pension liability was 7.50 percent. To determine the discount rate an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

The following presents the net pension liability of the College calculated using the discount rate of 7.50 percent, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

Pension Plan	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS Plan 1	7,591,583	6,235,373	5,069,157
PERS Plan 2/3	15,706,393	5,371,449	(2,541,632)
TRS Plan 1	1,053,908	838,385	653,054
TRS Plan 2/3	941,934	222,620	(312,128)

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, 2016:

	PERS 1		PERS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 570,987	$ -
Difference between expected and actual earnings of pension plan investments	$ -	$ 341,143	$ -	$ 1,433,922
Changes of Assumptions	$ -	$ -	$ 8,655	$ -
Changes in College's proportionate share of pension liabilities	$ -	$ -	$ 112,444	$ 262,850
Contributions to pension plans after measurement date	$ 695,994	$ -	$ 826,812	$ -
	$ 695,994	**$ 341,143**	**$ 1,518,898**	**$ 1,696,772**

	TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 35,239	$ -
Difference between expected and actual earnings of pension plan investments	$ -	$ 62,054	$ -	$ 86,370
Changes of Assumptions	$ -	$ -	$ 193	$ -
Changes in College's proportionate share of pension liabilities	$ -	$ -	$ 28,439	$ 4,545
Contributions to pension plans after measurement date	$ 90,079	$ -	$ 88,118	$ -
	$ 90,079	**$ 62,054**	**$ 151,989**	**$ 90,915**

The $1,701,003 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2017.

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
2017	$ (132,215)	$ (421,648)	$ (24,068)	$ (19,050)
2018	(132,215)	(421,648)	(24,068)	(19,050)
2019	(132,215)	(444,138)	(24,068)	(19,051)
2020	55,502	282,747	10,150	26,675
2021	-	-	-	3,432
	$ (341,143)	**$ (1,004,687)**	**$ (62,054)**	**$ (27,044)**

State Board Retirement Plan

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

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

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

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

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

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are 100% matched by the College. Employee and employer contributions for the year ended June 30, 2016 were each $2,050,277 and $2,050,307, respectively.

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2016, supplemental benefits were paid by the SBCTC on behalf of the system as a total in the amount of $766,692. 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 2016, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $120,231. As of June 30, 2016, the SBCTC system accounted for $10,439,441 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.

16. Other Post-Employment Benefits

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

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

The actuary allocated the statewide disclosure information to the community and technical college system level. The SBCTC further allocated these amounts among the colleges. The College's share of the GASB 45 actuarially accrued liability (AAL) is $29,741,908, with an annual required contribution (ARC) of $2,959,679. The ARC represents the amortization of the liability for FY 2016 plus the current expense for active employees, which is reduced by the current contributions of approximately $430,431. The College's net OPEB obligation at June 30, 2016 was approximately $6,859,132. This amount is not included in the College's financial statements.

The College paid $7,661,516 for healthcare expenses in 2016, which included its pay-as-you-go portion of the OPEB liability.

17. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Assets, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, student financial aid, and academic support. The College included compensated absence accrual expense and pension expense with institutional support for the purpose of this table. The following table lists operating expenses by program for the year ending June 30, 2016.

Expenses by Functional Classification		
Instruction	$	35,840,240
Academic Support Services		8,061,295
Student Services		8,374,322
Institutional Support		7,823,511
Operations and Maintenance of Plant		7,793,489
Scholarships and Other Student Financial Aid		18,695,488
Auxiliary enterprises		8,476,255
Depreciation		3,726,799
Total Operating Expenses	**$**	**98,791,399**

18. Commitments and Contingencies

There is a class action lawsuit, *Moore v. HCA*, filed against the State of Washington on behalf of former part-time and non-permanent employees alleging improper denial of healthcare benefits. As of the end of fiscal year 2016, the parties had reached a settlement agreement with the plaintiffs to settle all matters relating to this and related lawsuits. The College booked an additional $1,123,474 in liability and accrued expense for FY 2016 to fully recognized its portion of the settlement obligation.

A tort claim has been filed against the College by a former employee alleging workplace discrimination, unlawful retaliation, tort of outrage, defamation, breach of contract and violation of the Civil Rights Act. The outcome of this lawsuit, including any potential loss, cannot be estimated at this time. 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.

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 $2,397,965 for the construction and completion of the new Science, Technology, Engineering, and Math (STEM) building. The construction is funded through a State Capital Allocation. At June 30, 2016, the STEM building was in the final construction phase.

19. Subsequent Events

In August 2016, the College obtained financing for LED lighting upgrades as well as plumbing upgrades through a Certificate of Participation (COP), issued by the Washington State Treasurer in the amount of $496,205. The interest rate charged is 1.85360% for a term of 12 years.

In March 2017, the College will be participating in the Washington State Treasurer’s bond sale, with proceeds to be used to fund the renovation of the culinary arts instructional facility. The loan amount from the sale will be $8,500,000, with a term of 10 years and an anticipated interest rate of 3%.

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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				
		2014		**2015**
College's proportion of the net pension liability		0.126007%		0.119202%
College proportionate share of the net pension liability	$	6,347,662	$	6,235,373
College covered payroll	$	143,576	$	143,576
College's proportionate share of the net pension liability as a percentage of its covered payroll		4421.12%		4342.91%
Plan's fiduciary net position as a percentage of the total pension liability		61.19%		59.10%

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

Cost Sharing Employer Plans

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

Schedule of Clark College's Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date of June 30		
	2014	**2015**
College's proportion of the net pension liability	0.158501%	0.150332%
College proportionate share of the net pension liability	$ 3,203,878	$ 5,371,449
College covered payroll	$ 13,526,018	$ 13,332,423
College's proportionate share of the net pension liability as a percentage of its covered payroll	23.69%	40.29%
Plan's fiduciary net position as a percentage of the total pension liability	93.29%	89.20%

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

Cost Sharing Employer Plans

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

Schedule of Clark College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 1 Measurement Date of June 30	2014	2015
College's proportion of the net pension liability	0.026433%	0.026463%
College proportionate share of the net pension liability	$ 779,629	$ 838,385
College covered payroll	$ 29,043	$ 36,038
College's proportionate share of the net pension liability as a percentage of its covered payroll	2684.41%	2326.42%
Plan's fiduciary net position as a percentage of the total pension liability	68.77%	65.70%

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

Cost Sharing Employer Plans

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

Schedule of Clark College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30		
	2014	**2015**
College's proportion of the net pension liability	0.026905%	0.026383%
College proportionate share of the net pension liability	$ 86,900	$ 222,620
College covered payroll	$ 1,159,825	$ 1,235,511
College's proportionate share of the net pension liability as a percentage of its covered payroll	7.49%	18.02%
Plan's fiduciary net position as a percentage of the total pension liability	96.81%	92.48%

*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	$ 13,219	$ 13,219	$ -	$ 143,576	9.21%
2015	$ 13,223	$ 13,223	$ -	$ 143,576	9.21%
2016	$ 12,833	$ 12,833	$ -	$ 114,789	11.18%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions **Public Emplyees' Retirement System (PERS) Plan 2/3** Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 1,244,917	$ 1,244,917	$ -	$ 13,526,018	9.20%
2015	$ 1,227,646	$ 1,227,646	$ -	$ 13,332,423	9.21%
2016	$ 1,546,070	$ 1,546,070	$ -	$ 13,827,323	11.18%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions

Teachers' Retirement System (TRS) Plan 1

Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 2,940	$ 2,940	$ -	$ 29,043	10.12%
2015	$ 3,744	$ 3,744	$ -	$ 36,038	10.39%
2016	$ 3,613	$ 3,613	$ -	$ 28,206	12.81%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions

Teachers' Retirement System (TRS) Plan 2/3

Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 119,049	$ 119,049	$ -	$ 1,159,825	10.26%
2015	$ 128,369	$ 128,369	$ -	$ 1,235,511	10.39%
2016	$ 181,057	$ 181,057	$ -	$ 1,394,958	12.98%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

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