GREEN RIVER COMMUNITY COLLEGE

Financial Report

2012-2013

Green River COMMUNITY COLLEGE

2012-2013 Financial Report

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Trustees and Administrative Officers

Trustee and Officer lists effective as of June 30, 2015

July 7, 2015

Pete Lewis, Chair
Boart of Trustees
Green River Community College
Auburn, WA 98092

We are pleased to submit the inaugural year Annual Financial Report of Green River Community College. The accounts of GRCC are maintained in accordance with policies and regulations established by Washington State and its Office of Financial Management. This report has been prepared in accordance with generally accepted accounting principles and following the guidance of the Governmental Accounting Standards Board.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

As often occurs in a college's inaugural financial report process, internal control weaknesses were detected. The process of discovering a weakness is a positive step toward solidifying stronger controls in the future. The college discovered and corrected a weakness in financial records for Capital Buildings. Because of the materiality of the misstatement, the State Auditor issued a Finding to the college. The misstatement resulted in no loss to the college and internal control over financial records for Capital Buildings has been corrected.

Management's discussion and analysis, located at the front of the financial section of this report, provides a narrative introduction, overview, and analysis of the basic financial statements. The financial strength of the institution is reflected in the statements and the discussion to follow. Green River Community College's academic reputation, excellent faculty, and attractive campus make it an institution that has weathered the current economic challenges.

Sincerely,

Eileen E. Ely
President

Management's Discussion and Analysis

Green River Community College

The following discussion and analysis provides an overview of the financial position and activities of Green River Community College (the College) for the fiscal year ended June 30, 2013 (FY 2013). The FY 2013 report constitutes the College's inaugural audited financial statements. As a result, a comparison of audited information for prior fiscal years is not available.

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

Reporting Entity

Green River Community 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 19,200 students. The College confers associates degrees, certificates and high school diplomas. The College was established in 1965 and its primary purpose is to ensure student success through comprehensive educational programs and support services responsive to diverse communities.

The College's main campus is located in Auburn, Washington, a community of about 70,000 residents. The College also has branch operations in Kent, Auburn and Enumclaw. The College is governed by a five member Board of Trustees appointed by the Governor of the state with confirmation by the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its discretely presented component unit. 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 at a moment in time, at year-end. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over a period of time. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the College's financial health as a whole.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net position are reported under the accrual basis of accounting where all of the current year's revenues and expenses are taken into account regardless of when cash is received or payments are made. Full accrual statements are intended to provide a view of the College's financial position similar to that presented by most private-sector companies. These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

Statement of Net Position

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

Condensed Statement of Net Position As of June 30th	**FY 2013**
Assets	
Current Assets	$ 28,575,395
Capital Assets, net	143,394,145
Other Assets, non-current	39,600,000
Total Assets	**$ 211,569,540**
Liabilities	
Current Liabilities	$ 14,144,328
Other Liabilities, non-current	32,127,139
Total Liabilities	46,271,467
Deferred Inflows/Outflows	**$ -**
Net Position	**$ 165,298,073**

Current assets consist primarily of cash, short-term investments, various accounts receivables, inventories and prepaid expenses. Upon comparison to the unaudited information from FY 2012, a modest decrease can be attributed to reclassifications of cash and investments between current and non-current as well as normal fluctuations.

Net capital assets increased by $12,346,130 from FY 2012 to FY 2013. After taking into consideration current depreciation expense of $4,078,595 the majority of the increase is the result of the construction of the Cedar Hall Building which was completed July 13, 2013.

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

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

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:
Non-Expendable – consists of funds in which a donor or external party has imposed the restriction that the corpus or principal is not available for expenditures but for investment purposes only.

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.

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 management. Prudent balances are maintained for use as working capital, as a reserve against emergencies and for other purposes, in accordance with policies established by the Board of Trustees.

Condensed Net Position As of June 30th	**FY 2013**
Net Investment in Capital Assets	$113,276,847
Restricted	
Nonexpendable	
Expendable	
Unrestricted	$52,021,226
Total Net Position	**$165,298,073**

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 2013. The objective of the statement is to present the revenues received, both operating and non-operating, and the expenses paid by the College, along with any other revenue, expenses, gains and losses of the College.

Generally, operating revenues are earned by the College in exchange for providing goods and services. Tuition and grants and contracts are included in this category. In contrast, non-operating revenues include monies the College receives from another government entity without directly giving equal value to that government 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 assets. When operating revenues, excluding state appropriations and Pell Grants, are measured against operating expenses, the College shows an operating loss. The operating loss is reflective of the external funding necessary to keep tuition lower than the cost of the services provided.

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

Condensed Statement of Revenue, Expenses and Changes in Net Position As of June 30th	FY 2013
Operating Revenues	$ 60,509,302
Operating Expenses	85,155,808
Net Operating Loss	(24,646,506)
Non-Operating Revenues	32,120,400
Non-Operating Expenses	1,008,124
Gain (Loss) Before Other	6,465,770
Capital Appropriations	17,660,445
Increase (Decrease) in Net Position	24,126,215
Net Position, Beginning of the Year	141,171,858
Net Position, End of the Year	$ 165,298,073

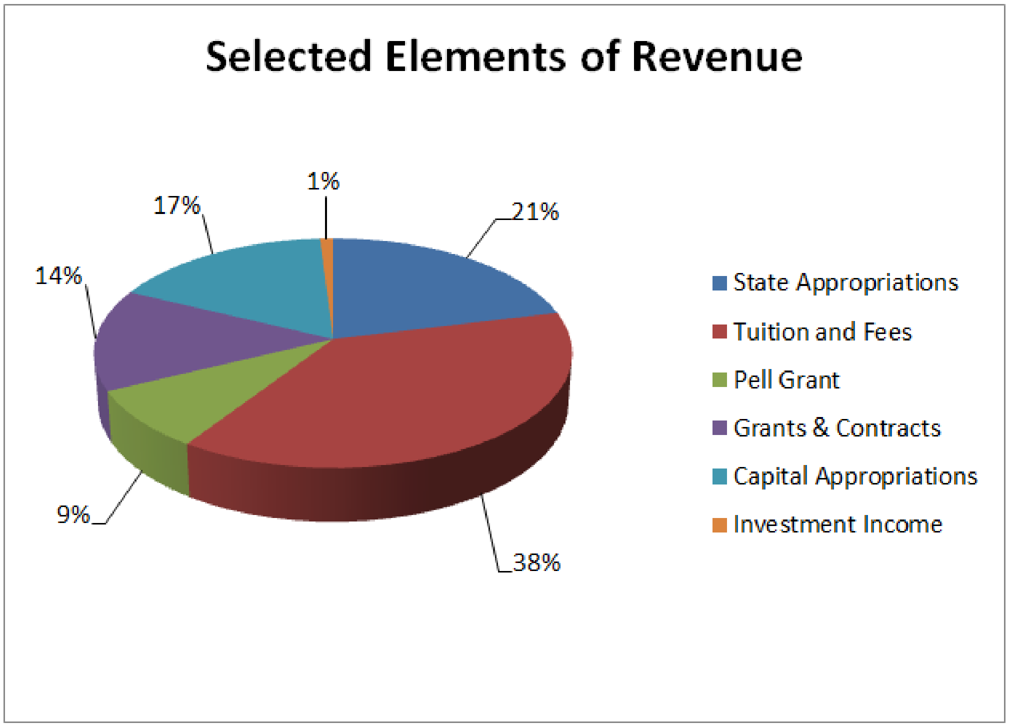
<u>Revenues</u>

Continuing a trend that began midway through FY 2009, the College's state operating appropriations decreased again in 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 have been reduced by almost 24%.

Over this same period, the Legislature and SBCTC instituted increases in tuition rates to partially offset the reduction in state appropriations. Since enrollments decreased in FY 2013, the College's increase in tuition and fee revenue is primarily attributable to the increased tuition rates (along with changes in mix such as more part-time students and fewer Adult Basic Education enrollments.) Pell grant revenues generally follow enrollment trends. As the College's enrollment softened during FY 2013, so did the College's Pell Grant revenue. For FY 2013, the College attempted to hold other fees as stable as possible, resulting in only small changes in these revenues. In addition, the College serves some students and offers some programs on a fee-only basis, as allowed by law. Examples include computer skills, web and graphic production and arts and crafts.

In FY 2013, State and Local grant and contract revenues increased by $1,154,694 when compared with FY 2012. 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 also serves contracted international students who are not supported by state dollars.

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 expenses in the current period and are instead recognized as depreciation expense over the expected useful lifetime of the asset.



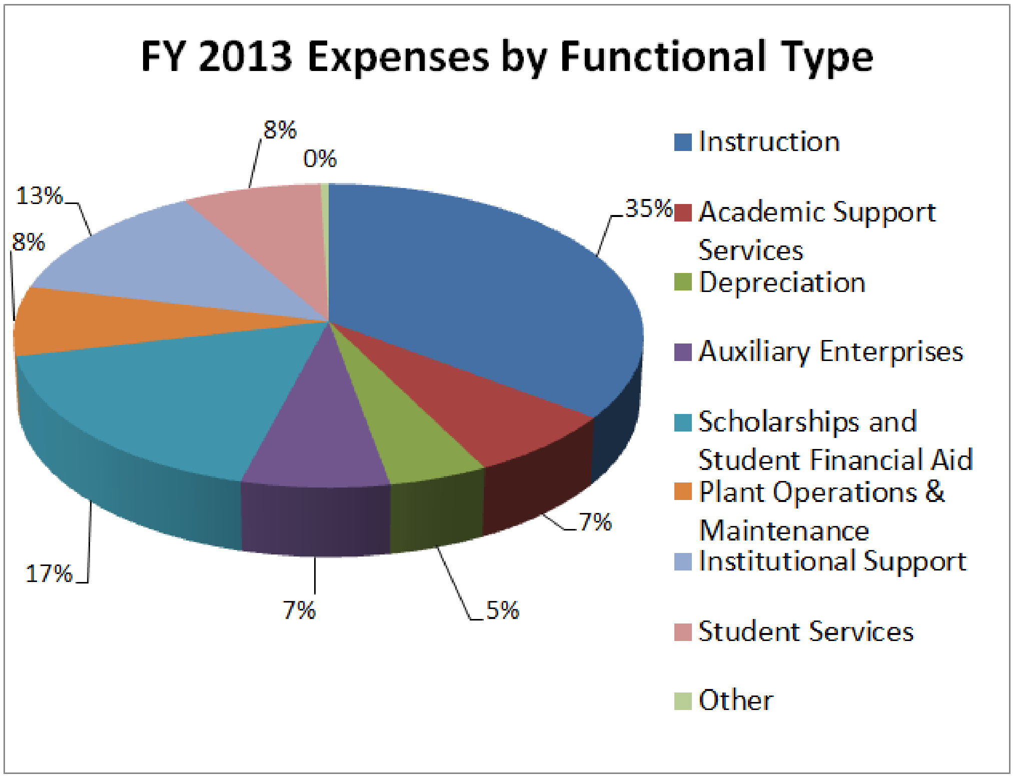
Expenses
Faced with severe budget cuts over the past five years, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College decreased spending and services and was subject to various state spending freezes and employee salary reductions.

More recently, in FY 2013, salary and benefit costs increased as a result of adding positions consistent with the strategic plan, new positions associated with new grant activity and conversion of adjunct faculty positions to full-time faculty positions. There were also rate increases in the College provided benefits.

Utility costs have decreased slightly due to the College's ability to absorb rate increases through energy conservation measures. Supplies and materials and purchased services are slightly higher in FY 2013, primarily as a result of increased spending related to capital projects. 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 to be expected. Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing a significant increase in any year when a new building is placed in service.

All other costs are reported as operating expenses and include items such as travel, non-capitalized equipment, printing and other supplies.

Comparison of Selected Operating Expenses by Category
The chart below shows the amount, by percentage, for selected categories of operating expenses for FY 2013.



Statement of Cash Flows

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

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

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

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

The fourth section shows cash received and spent on investing activities, including the purchase and sale of investment instruments, interest earnings and realized gains or losses from investments.

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

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

Condensed Statement of Cash Flows **As of June 30, 2013**		
Operating Activities	$	(17,660,145)
Non-Capital Financing Activities		30,617,362
Capital Financing Activities		(4,075,293)
Investing Activities		(7,463,069)
Net Change in Cash	$	1,418,855
Cash, Beginning of Year		17,063,234
Cash, End of Year	$	18,482,089

The College's cash and cash equivalents at June 30th increased in FY 2013 by $1,418,855. The primary contributing factors include increased enrollment in International Programs and the use of available cash to address needs within capital projects including jump-starting the design for the Trades Replacement Complex, completing the renovation of Cedar Hall (formerly SMT), starting design on the new Student Life Building, and completing utility repairs and street improvement associated with both the student Life Building and the Trades Complex.

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 and are expected to continue to impact the number of new projects that can be financed. As a result, the College has one of four community college projects that were funded through a Certificate of Participation (COP) against which system–wide building fee monies were pledged.

At June 30, 2013, the College had invested $143,394,145 in capital assets, net of accumulated depreciation. This represents an increase of $13,001,126 from last year, as shown in the table below.

Asset Type	June 30, 2013	June 30, 2012 (unaudited)	Change
Land	1,038,679	1,038,679	-
Construction in Progress	18,081,145	4,427,488	13,653,657
Buildings, net	113,129,852	114,495,624	(1,365,772)
Other Improvements and Infrastructure, net	7,754,646	8,270,968	(516,322)
Equipment, net	2,878,930	1,651,330	1,227,600
Library Resources, net	510,893	508,930	$1,963
Total Capital Assets, Net	**$143,394,145**	**$130,393,019**	**$13,001,126**

The increase in net capital assets can be attributed to the significant capital projects that were in process on June 30, 2013 to include Cedar Hall, Student Life Project and Trades Project.

At June 30, 2013, the College had $30,117,298 in outstanding debt related to Certificates of Participation. The College's Salish Hall Project was one of four system-wide community college projects that were funded through a Certificate of Participation (COP) against which system–wide building fee monies were pledged. Of the total outstanding debt of $30,117,298, the amount to be paid from system-wide building fee monies is $22,740,000 as of June 30, 2013.

	June 30, 2013
Certificates of Participation	$30,117,298
Total	**$30,117,298**

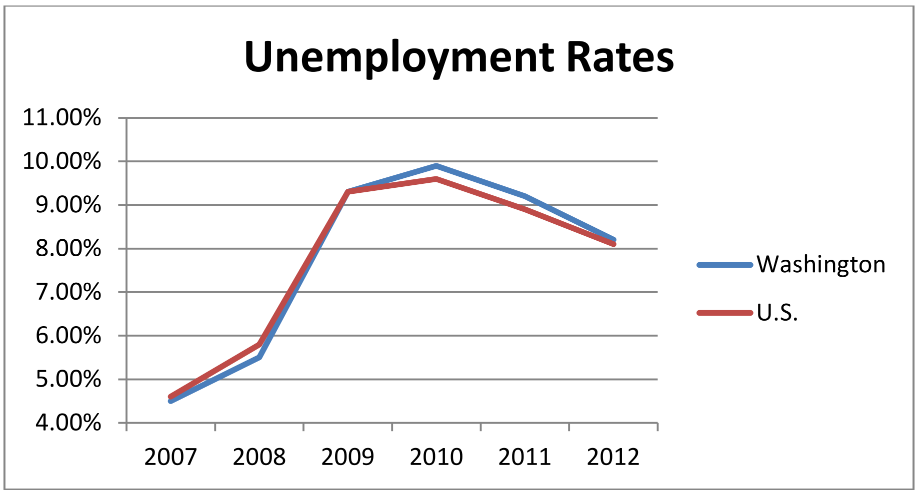
Economic Factors That Will Affect the Future

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

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

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

A hallmark of community colleges is the flexibility to quickly respond to the needs of the community, resulting in a pattern of high enrollment during economic downturns, punctuated by lower enrollment when the job market is strong. The Great Recession of 2008 has had a lingering effect on the job market in Washington, which has only recently shown improvement. Enrollment is currently just slightly over the FTE target level. This is down 7% from its most recent peak, which, if this trend continues, will result in a significant reduction in tuition revenue.



Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT

July 7, 2015

Green River College
Auburn, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Green River College, King County, Washington, as of and for the year ended June 30, 2013, 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 Green River College Foundation, which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Green River 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 Green River 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 other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component units of Green River College, as of June 30, 2013, and the 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 Green River College, an agency of the state of Washington, are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis to 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 REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2015 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Jan M Jutte

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

Green River Community College
Statement of Net Position
June 30, 2013

Assets	
Current assets	
Cash and cash equivalents	$ 18,482,088
Short-term investments	480,145
Accounts Receivable, net	4,763,626
Due from State Treasurer	3,693,251
Interest Receivable, net	225,385
Inventories	667,443
Prepaid Expenses	263,457
Total current assets	28,575,395
Non-Current Assets	
Long-term investments	39,600,000
Capital assets, net of depreciation	143,394,145
Total non-current assets	182,994,145
Total assets	211,569,540
Deferred Outflows of Resources	-
Total Deferred Outflows of Resources	-
Liabilities	
Current Liabilities	
Accounts Payable	3,348,454
Accrued Liabilities	2,046,149
Deposits Payable	290,353
Unearned Revenue	6,947,846
Leases and Certificates of Participation Payable	1,511,526
Total current liabilities	14,144,328
Noncurrent Liabilities	
Compensated Absences	3,521,367
Long-term liabilities	28,605,772
Total non-current liabilities	32,127,139
Total liabilities	46,271,467
Deferred Inflows of Resources	
Total Deferred Inflows of Resources	-
Net Position	
Invested in capital assets, net of related debt	113,276,847
Restricted for:	-
Nonexpendable	-
Expendable	-
Student Loans	-
Unrestricted	52,021,226
Total Net Position	$ 165,298,073

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

Green River Community College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

Operating Revenues	
Student tuition and fees, net	$ 40,010,373
Auxiliary enterprise sales	4,575,983
State and local grants and contracts	13,665,382
Federal grants and contracts	1,384,471
Other operating revenues	873,093
Total operating revenue	60,509,302
Operating Expenses	
Operating Expenses	9,038,443
Salaries and wages	36,935,365
Benefits	11,763,786
Scholarships and fellowships	14,650,412
Supplies and materials	4,412,581
Depreciation	4,078,595
Purchased services	2,911,770
Utilities	1,364,856
Total operating expenses	85,155,808
Operating income (loss)	(24,646,506)
Non-Operating Revenues	
State appropriations	22,189,888
Federal Pell grant revenue	8,884,610
Investment income, gains and losses	1,045,902
Net non-operating revenues	32,120,400
Non-Operating Expenses	
Interest on indebtedness	1,008,124
Net non-operating expenses	1,008,124
Income or (loss) before other revenues, expenses, gains, or losses	6,465,770
Capital Revenues	
Capital appropriations	17,660,445
Increase (Decrease) in net position	24,126,215
Net position	
Net position, beginning of year	141,171,858
Net position, end of year	$ 165,298,073

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

Green River Community College
Statement of Cash Flows
For the Year Ended June 30, 2013

Cash flow from operating activities	
Student tuition and fees	$ 40,120,165
Grants and contracts	16,596,710
Payments to vendors	(15,478,516)
Payments for utilities	(1,372,134)
Payments to employees	(36,882,233)
Payments for benefits	(11,728,916)
Auxiliary enterprise sales	4,646,239
Payments for scholarships and fellowships	(14,650,412)
Other receipts	1,088,952
Net cash used by operating activities	(17,660,145)
Cash flow from noncapital financing activities	
State appropriations	21,732,752
Pell grants	8,884,610
Amounts for other than capital purposes	-
Net cash provided by noncapital financing activities	30,617,362
Cash flow from capital and related financing activities	
Capital appropriations	14,424,330
Purchases of capital assets	(16,437,158)
Principal paid on capital debt	(1,054,341)
Interest paid	(1,008,124)
Net cash used by capital and related financing activities	(4,075,293)
Cash flow from investing activities	
Purchase of investments	(30,791,117)
Proceeds from sales and maturities of investments	22,321,379
Income from investments	1,006,669
Net cash provided by investing activities	(7,463,069)
Increase in cash and cash equivalents	1,418,855
Cash and cash equivalents at the beginning of the year	17,063,234
Cash and cash equivalents at the end of the year	18,482,089
Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	(24,646,506)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	4,078,595
Changes in assets and liabilities	
Receivables , net	1,272,156
Inventories	(40,287)
Other assets	(50,482)
Accounts payable	936,937
Accrued liabilities	51,194
Deferred revenue	721,090
Compensated absences	17,159
Net cash used by operating activities	$ (17,660,145)

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

Green River Community College Foundation and Subsidiary
Consolidated Statement of Financial Position
June 30, 2013

	Foundation	LLC	Total
ASSETS			
Cash and cash equivalents	$ 403,718	$ 206,193	$ 609,911
Pooled Investments less allowance of $80,595			-
and $206,000 respectively	12,441,578	-	12,441,578
Investments - bond reserves	-	5,115,532	5,115,532
Accounts receivable, less allowance of $23,609			-
and $16,095 respectively	57,881	120,822	178,703
Pledges receivable	5,276	-	5,276
Installment contract receivable	52,548	-	52,548
Annuity policies	231,164	-	231,164
Land, at cost	367,808	-	367,808
Buildings and equipment, net	501,307	8,941,512	9,442,819
Debt issuance costs, net	-	1,284,911	1,284,911
Other assets	4,212	19,263	23,475
	$ 14,065,492	$ 15,688,233	$ 29,753,725
LIABILITIES			
Accounts payable and other	$ 42,454	$ 205,334	$ 247,788
Annuities payable	124,392	-	124,392
Unearned rental revenue	-	275,398	275,398
Interest payable	-	437,215	437,215
Note payable	429,075	-	429,075
Bonds payable	-	17,117,742	17,117,742
	595,921	18,035,689	18,631,610
NET ASSETS			
Unrestricted			
Unrestricted-Foundation	$ 5,889,271	-	5,889,271
Member's deficit-LLC	-	(2,347,456)	(2,347,456)
Temporarily restricted	1,474,642	-	1,474,642
permanently restricted	6,105,658	-	6,105,658
Total net assets	13,469,571	(2,347,456)	11,122,115
Total liabilities and net assets	$ 14,065,492	$ 15,688,233	$ 29,753,725

Green River Community College Foundation and Subsidiary
Consolidated Statement of Activities
For the Year Ended June 30, 2013

Support and Revenue	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Foundation	LLC	Total
Contributions	$ 96,918	$ 307,882	$ 177,039	$ 581,839		$ 581,839
In-kind contributions	9,293	5,598		14,891		14,891
Value of services per agreement with GRCC	290,195			290,195		290,195
Investment return	578,420	766,285	13,221	1,357,926	150,902	1,508,828
Rental income	104,929			104,929	2,307,615	2,412,544
Program fees	61,729	2,234		63,963		63,963
Fundraisers	27,745	10,653	2,440	40,838		40,838
Other	189,776	2,510		192,285	163,365	355,650
Net assets released from restrictions and other transfers	165,053	(203,672)	38,619			
Total support and revenues	1,524,058	891,490	231,319	2,646,866	2,621,882	5,268,748
Expenses						
Interest	12,725			12,725	874,440	887,165
Office expense	56,450			56,450	508,262	564,712
Depreciation and amortization	28,644			28,644	525,455	554,099
Personnel assistance	207,810			207,810	279,187	486,997
Scholarships	312,430			312,430		312,430
Services received per agreement with GRCC	290,195			290,195		290,195
Rent and management fees				-	181,265	181,265
Hosting	158,735			158,735		158,735
Administrative costs	14,505			14,505	65,156	79,661
Taxes and insurance	9,306			9,306	51,495	60,801
Professional fees	26,862			26,862	27,103	53,965
Program development	50,465			50,465		50,465
Trophies and awards	46,235			46,235		46,235
Travel	20,881			20,881	5,706	26,587
Other	25,534			25,534		25,534
Software Support	12,960			12,960		12,960
Printing	11,020			11,020		11,020
GRCC donations	6,380			6,380		6,380
Bad debt expense (recovery)	(125,395)			(125,395)		(125,395)
Total expenses	1,165,742			1,165,742	2,518,069	3,683,811
Change in unrestricted net assets	**358,316**			**358,316**	**103,813**	**462,129**
Change in temporarily restricted net assets		**891,490**		**891,490**		**891,490**
Change in permanently restricted net assets			**231,319**	**231,319**		**231,319**
Total change in net assets	**358,316**	**891,490**	**231,319**	**1,481,125**	**103,813**	**1,584,938**
Net assets, beginning of year	5,065,532	1,048,575	5,874,339	11,988,446	(2,451,269)	9,537,177
Net assets, end of year	$ 5,423,848	$ 1,940,065	$ 6,105,658	$ 13,469,571	$ (2,347,456)	$ 11,122,115

Green River Community College Foundation and Subsidiary
Consolidated Statements of Cash Flows
For the Year Ended June 30, 2013

	Foundation	LLC	Total
Cash Flows from Operating Activities			
Change in net assets	$ 1,481,125	$ 103,813	$ 1,584,938
Adjustments to reconcile change in net assets to net			-
cash flows from operating activities			-
Depreciation and amortization	28,644	525,455	554,099
Realized and unrealized gains	(905,115)		(905,115)
Uncollectible investments write-off (recovery)	(125,395)		(125,395)
Contributions restricted for long term purposes	(177,039)		(177,039)
Dividends and interest restricted for long term purposes	(13,221)		(13,221)
Change in value of annuities payable	66,248		66,248
Changes in operating assets and liabilities			-
Accounts receivable, net	(21,153)	(7,163)	(28,316)
Pledges receivable	(749)		(749)
Installment contracts receivable	(1,858)		(1,858)
Other assets	1,611	(8,514)	(6,903)
Accounts payable and other	9,746	24,522	34,268
Unearned rental revenue		(15,833)	(15,833)
Interest payable		(9,272)	(9,272)
Net cash flows from operating activities	342,844	613,008	955,852
Cash Flows from Investing Activities			
Proceeds from sale of investments	669,724		669,724
Purchase of investments	(1,076,473)	(307,954)	(1,384,427)
Proceeds from sale/(purchase) of buildings and equipment	9,907	(56,705)	(46,798)
	(396,842)	(364,659)	(761,501)
Net cash flows from investing activities			
Cash Flows from Financing Activities			
Proceeds from contributions restricted for long term purposes	177,039		177,039
Interest and dividends restricted for reinvestment	13,221		13,221
Payments on bonds payable		(325,000)	(325,000)
Payments on note and annuity payable	(60,170)		(60,170)
Net cash flows from financing activities	130,090	(325,000)	(194,910)
Net change in cash and cash equivalents	76,092	(76,651)	(559)
Cash and cash equivalents beginning of year	327,626	282,844	610,470
Cash and cash equivalents, end of year	403,718	206,193	609,911
Supplemental disclosure of cash flow information			
Cash paid for interest	$ 12,725	$ 883,712	$ 896,437

Notes to the Financial Statements

June 30, 2013

These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

Green River Community 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 Green River Community College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1975 and recognized as a tax exempt (c)(3) charity. The Foundation's charitable purpose is to provide resources to assist the College to achieve educational excellence. 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. 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, 2013, the Foundation distributed approximately $775,129 to the College for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at 12401 320th Street SE, Auburn, WA 98092-3622.

Basis of Presentation

The College follows all GASB pronouncements. The financial statements have been prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* as amended by GASB Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities.* For financial reporting purposes, the College is considered a special-purpose government engaged only in Business Type Activities (BTA). In accordance with BTA reporting, the College presents a Management's Discussion and Analysis; a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial Statements. The format provides a comprehensive, entity-wide perspective of the College's assets, deferred inflows, liabilities, deferred outflows, net position, revenues, expenses, changes in net position and cash flows.

New Accounting Pronouncements

Beginning in fiscal year 2012-13, the College adopted the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* (GASB 60), which improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The College has no significant arrangements allowing external parties to operate college capital assets.

Beginning in fiscal year 2012-13, the College adopted the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62) and amendments contained in GASB Statement No 66 *Technical Corrections – 2012*, which incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in the pronouncements of the FASB and American Institute of Certified Public Accountants (AICPA). This statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

Beginning in fiscal year 2012-13, the College adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), which provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement amends the net asset reporting requirement in GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The College did not identify any transactions requiring treatment as a deferred inflow or outflow.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB 65 is effective for financial statements for periods beginning after December 15, 2012. The impact of this pronouncement is uncertain at this time.

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

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*, which improves recognition, measurement and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. The impact of this pronouncement is uncertain at this time.

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

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

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

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

Cash, Cash Equivalents and Investments
Cash and cash equivalents include bank demand deposits and petty cash held at the College. Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets. The College records all cash, cash equivalents, and investments at fair value.

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis to the various funds based on cash balance. The internal investment pool is comprised of cash, cash equivalents, and U.S. Agency Obligations.

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 using the 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 have been misleading to the reader.

Land, buildings and equipment are recorded at cost, or if acquired by gift, at fair market value at the date of the gift. As this is the first institution-level financial statement prepared by the College, GASB 34 guidance concerning preparing initial estimates for historical cost and accumulated depreciation related to infrastructure was followed. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, only equipment with a unit cost of $5,000 or greater are capitalized. Depreciation is computed using the straight line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and components, 20 to 25 years for infrastructure and land improvements, 7 years for library resources and 5 to 7 years for 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, 2013, no assets had been written down.

Unearned Revenues and Deposits Payable

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

Tax Exemption

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

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.
- *Unrestricted.* Represents resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

Classification of Revenues

The College has classified its revenues as either operating or non-operating revenues 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.

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of Scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2013 are $5,761,179.

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 Statement of Revenues, Expenses, and Changes in Net Position, and recognized as such when the related expenses are incurred.

Operating Revenues/Expenses

Operating Revenues consist of tuition and fees, grants and contracts, sales and service of educational activities and auxiliary enterprise revenues. Operating expenses include salaries, wages, fringe benefits, utilities, supplies and materials, purchased services, and depreciation. All other revenue and expenses of the College are reported as non-operating revenues and expenses including state general appropriations, Federal Pell grant revenues, investment income and interest expense.

2. Cash and Investments

Cash and cash equivalents include bank demand deposits and petty cash held at the College.

As of June 30, 2013, the carrying amount of the College's cash and equivalents was $18,482,088 as represented in the table below.

Table 1: Cash and Cash Equivalents	**June 30, 2013**
Petty Cash and Change Funds	$16,320
Bank Demand and Time Deposits	$17,465,768
US Obligations Maturity < 90 Days	$1,000,000
Total Cash and Cash Equivalents	**$18,482,088**

Investments consist of US Agency Obligations.

Table 2: Investment Maturities	Fair Value	90 Days- 1 Year	1 - 5 Years	6 - 10 Years	10 or More Years
U.S. Agency Obligations	$ 40,080,145	$ 480,145	$ 1,500,000	$ 3,000,000	$ 35,100,000
Total Investments	**$ 40,080,145**	**$ 480,145**	**$ 1,500,000**	**$ 3,000,000**	**$35,100,000**

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 US Bank. 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

The College manages its exposure to interest rate changes by investing a significant portion of available funds in step up instruments where interest rates rise over time. Additionally, the College invests solely in U.S. Agency Obligations that can be used as collateral for temporary lending (reverse repurchase agreements) or can be sold upon need.

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, 2013, $41,080,145 of the College's operating fund investments are held by US Bank Safekeeping as agent for the College.

Table 3: Investments Exposed to Custodial Risk	Fair Value
US Bank Safekeeping	$ 41,080,145

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, 2013 were $8,009.

3. Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenditures made according to sponsored agreements. At June 30, 2013, accounts receivable were as follows.

Table 4: Accounts Receivable	**Amount**
Student Tuition and Fees	$ 778,911
Due from the Federal Government	869,088
Due from Other State Agencies	1,434,553
Auxiliary Enterprises	1,627,198
Interest Receivable	236,950
Other	97,300
Subtotal	$ 5,044,000
Less Allowance for Uncollectible Accounts	(280,374)
Accounts Receivable, net	**$ 4,763,626**

4. Loans Receivable

The College did not have any loans receivable at June 30, 2013.

5. Inventories

Inventories, stated at cost, consisted of the following as of June 30, 2013.

Table 5: Inventories	**Amount**
Consumable Inventories	$ 47,482
Merchandise Inventories	$ 579,241
Raw Materials Inventories	$ 40,720
Inventories	**$ 667,443**

6. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2013 is presented as follows. The current year depreciation expense was $4,078,595.

Table 6: Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Nondepreciable capital assets				
Land	$ 1,038,679	$ -	$ -	$ 1,038,679
Construction in progress	4,427,488	13,653,657	-	18,081,145
Total nondepreciable capital assets	5,466,167	13,653,657	-	19,119,824
Depreciable capital assets				
Buildings	137,998,315	771,121	-	138,769,436
Other improvements and infrastructure	12,029,764	3,255	-	12,033,019
Equipment	6,110,746	1,876,204	(176,307)	7,810,643
Library resources	2,331,111	132,921	-	2,464,032
Subtotal depreciable capital assets	158,469,936	2,783,501	(176,307)	161,077,130
Less accumulated depreciation				
Buildings	23,502,690	2,136,894	-	25,639,584
Other improvements and infrastructure	3,758,796	519,577	-	4,278,373
Equipment	4,459,417	630,214	(157,918)	4,931,713
Library resources	1,822,181	130,958	-	1,953,139
Total accumulated depreciation	33,543,084	3,417,643	(157,918)	36,802,809
Total depreciable capital assets	124,926,852	(634,142)	(18,389)	124,274,321
Capital assets, net of accumulated depreciation	**$ 130,393,019**	**$ 13,019,515**	**$ (18,389)**	**$ 143,394,145**

7. Deferred Outflows

No Deferred Outflows were identified for FY 2013.

8. Accounts Payable and Accrued Liabilities

At June 30, 2013, accrued liabilities are the following.

Table 7: Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	$ 1,051,306
Accounts Payable	$ 3,348,454
Amounts Held for Others and Retainage	$ 994,843
Total	**$ 5,394,603**

9. Unearned Revenue and Deposits Payable

Unearned revenue and deposits payable are comprised of receipts which have not yet met revenue recognition criteria, as follows:

Table 8: Unearned Revenue & Deposits Payable	Amount
Summer Quarter Tuition & Fees	$ 6,947,846
Housing and Other Deposits	290,353
Total Unearned Revenue & Deposits Payable	$ 7,238,199

10. Risk Management
The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The college finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2012 through June 30, 2013, were $235,029. Cash reserves for unemployment compensation for all employees at June 30, 2013, were $0.

The College purchases commercial property insurance through the master property program administered by the Department of Enterprise Services for buildings that were acquired with COP proceeds. 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 assumes its potential property losses for most other buildings and contents.

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

11. Compensated Absences
At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled $1,519,374 at June 30, and accrued sick leave totaled $2,001,993 at June 30, 2013.

Accrued annual and sick leave are categorized as non-current liabilities. Compensatory time is categorized as a current liability since it must be used before other leave.

12. Leases Payable
The College finances some capital asset purchases through the Washington State Treasurer's leasing program. These are classified as capital leases. As of June 30, 2013, the minimum lease payments under capital leases is $42,690,879 as shown in the table below under "Annual Debt Service Requirements."

13. Notes Payable
In February of 2001, the College obtained financing in order to renovate the Lindbloom Student Center through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $1,560,000. In August of 2009, the College obtained financing in order to build the Kent Station II building through a COP, issued by the OST in the amount of $8,090,000; in August of 2009, the College obtained financing in order to build Salish Hall through COP issued by the OST in the amount of $26,830,000

As of June 30, 2013, the College held funds in the amount of $5,599,923 collected from the student assessed Student Center Fee to be used for the new Student Life Building with an anticipated completion date of Fall Quarter 2015. The Student Life Building will be 45% student funded and 55% college funded with some portion being financed by COP. Student fees related to the Student Life Building project are accounted for in a dedicated college account which will be used to pay construction costs during the life of the project.

14. Annual Debt Service Requirements

Future debt service requirements at June 30, 2013 are as follows.

Table 9. Annual Debt Service Requirements: Certificates of Participation			
Fiscal year	**Principal**	**Interest**	**Total**
2014	$ 1,511,528	$ 1,276,403	$ 2,787,931
2015	1,550,083	1,229,887	2,779,970
2016	1,595,687	1,182,071	2,777,758
2017	1,635,000	1,130,238	2,765,238
2018	1,570,000	1,064,838	2,634,838
2019-2023	8,835,000	4,323,188	13,158,188
2024-2028	10,915,000	2,241,706	13,156,706
2029-2033	2,505,000	125,250	2,630,250
Total	**30,117,298**	**12,573,581**	**42,690,879**

15. Schedule of Long Term Debt

Table 10. Schedule of Long Term Debt	**Balance outstanding 6/30/12**	**Additions**	**Reductions**	**Balance outstanding 6/30/13**	**Current portion**
Certificates of Participation	**$ 31,586,638**	**$ -**	**$(1,469,340)**	**$30,117,298**	**$1,511,526**

16. Deferred Inflows

No Deferred Inflows were identified for FY 2013.

17. Pension Plans

The College offers three contributory pension plans. The Washington State Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) plans are a cost sharing multiple employer defined benefit pension plan 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 2013, the payroll for the College's employees was $8,890,919 for PERS, $23,499,886 for SBRP and $433,771 for TRS. Total covered payroll was $32,824,576.

PERS and TRS

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

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

The College also has one faculty member with pre-existing eligibility who continues to participate in TRS 2.

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

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

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

Contribution Rates and Required Contributions. The College's contribution rates and required contributions for the above retirement plans for the years ending June 30, 2013, 2012 and 2011 are as follows:

Table 11. Contribution Rates at June 30						
	FY2011		**FY2012**		**FY2013**	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	6.00%	5.31%	6.00%	7.08%	6.00%	7.21%
Plan 2	3.90%	5.31%	4.64%	7.08%	4.64%	7.21%
Plan 3	5 - 15%	5.31%	5 - 15%	7.08%	5 - 15%	7.21%
TRS						
Plan 1	6.00%	6.14%	6.00%	8.04%	6.00%	8.05%
Plan 3	5-15%	6.14%	5-15%	8.04%	5-15%	8.05%

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 State Board for Community and Technical Colleges is authorized to amend benefit provisions under RCW 28B.10.400. In 2011, the plan was amended to eliminate the supplemental benefit provisions for all employees hired after June 30, 2011.

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2013 were each $2,002,916.

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2013, supplemental benefits were paid by the SBCTC on behalf of the College in the amount of

$11,394. 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 2013, the College paid into this fund at a rate of 0.25% of covered salaries, totaling $58,777. As of June 30, 2013, the Community and Technical College system accounted for $2,052,816 of the fund balance.

Washington State Deferred Compensation Program

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

Other Post-Employment Benefits

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

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

The state of Washington funds OPEB obligations at a state-wide level on a pay-as-you-go basis. Disclosure information, as required under GASB Statement No. 45, does not exist at department levels, and as a result, the Actuarial Accrued Liability (AAL) is not available for the College. The state of Washington's Comprehensive Annual Financial Report (CAFR) includes the state's measurement and recognition of OPEB expense/expenditures, liabilities, note disclosures, and required supplementary information specified by GASB Statement No. 45. The State Actuary's report is available at: http://osa.leg.wa.gov/Actuarial_Services/OPEB/OPEB.htm

The College paid $6,004,437 for healthcare expenses in 2013, which included its pay-as-you-go portion of the OPEB liability.

The unfunded actuarial accrued liability calculated at July 1, 2013 was $69,213,000 under the plan's entry age normal method and is amortized over an 11 year period. The annual required contribution (ARC) is projected at $11,041,000. The net pension obligation is the cumulative excess, if any, of the ARC over the actual benefit payments and is reported as a liability by SBCTC. The net pension obligation as of June 30, 2013 is $54,894,190.

18. 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, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2013.

Table 12: Expenses by Functional Classification		
Instruction	$	30,021,544
Academic Support Services		6,095,412
Student Services		6,665,025
Intitutional Support		10,982,534
Plant Operations and Maintenance		6,344,169
Auxiliary enterprises		5,928,737
Scholarships & Other Student Financial Aid		14,655,502
Depreciation		4,078,595
Other		384,290
Total operating expenses	**$**	**85,155,808**

19. Commitments and Contingencies

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

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

The College has commitments of $59,670,108 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings.

20. Subsequent Events

In August of 2014, the college entered into a Certificate of Participation with the Washington State Treasurer's office for construction of the Student Life Building. The Certificate of Participation obligates the college to average annual principal and interest payments of $1.25 million dollars beginning in FY14-15 and concluding in FY28-29.

We would like to acknowledge the following staff responsible for the content of this report:

Teresa L. Collins, Controller
Deborah Knipschield, Interim Vice President of Business Affairs