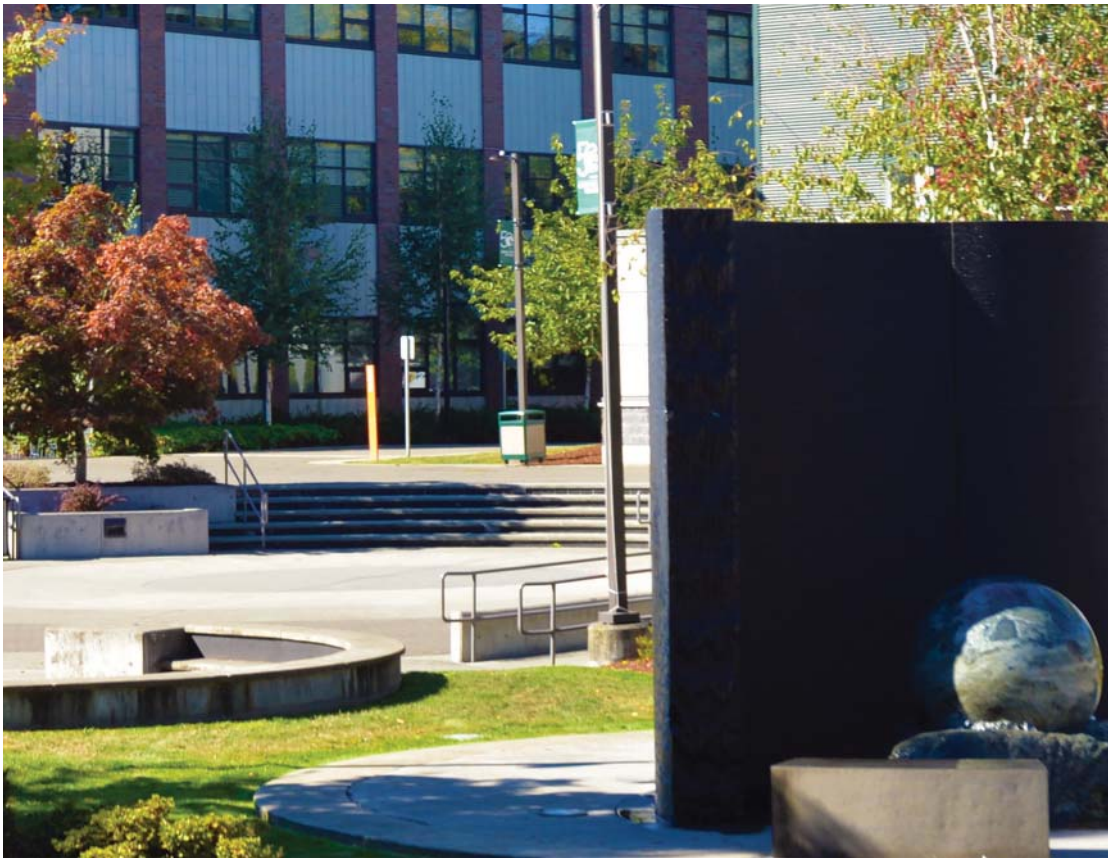


GREEN RIVER COLLEGE



2013-2014 Financial Report

**2014
Financial Report**

Table of Contents

Trustees and Administrative Officers 2
Management’s Discussion and Analysis 3
Independent Auditor’s Report on Financial Statements 11
College Statement of Net Position..... 15
College Statement of Revenues, Expenditures and Changes in Net Position..... 16
College Statement of Cash Flows 17
Foundation Statement of Financial Position 19
Foundation Statement of Activities and Changes in Net Position 20
Notes to the Financial Statements..... 21

For information about the financial data included in this report, contact:

Shirley Bean, Vice President for Business Administration
Green River College
12401 SE 320th Street
Auburn, WA 98092-3622
(253) 288-3305

For information about enrollment, degrees awarded, or academic programs, contact:

Fia Eliasson-Creek, Director of Planning and Research
Green River College
12401 SE 320th Street
Auburn, WA 98092-3622
(253) 288-3322

Trustees and Administrative Officers

BOARD OF TRUSTEES

Tim Clark, Chair
Sharonne Navas, Vice Chair
Linda Cowan
Claudia Kauffman
Jackie Boschok

EXECUTIVE OFFICERS

Suzanne Johnson, President
Shirley Bean, VP of Business Affairs
Deb Casey, VP of Student Affairs
Fia Eliasson-Creek, Director of Planning and Research
George Frasier, Executive Director of Development/Foundation
Allison Friedly, Executive Director of College Relations
Camella Morgan, Executive Director of Information Technology
Marshall Sampson, VP of Human Resources and Legal Affairs
Wendy Stewart, VP of International Programs and Extended Learning
Rebecca Williamson, Interim VP of Instruction

Trustee and Officer lists effective as of July 1, 2017

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, 2014 (FY 2014). Comparisons included in this discussion were made with audited information for the fiscal year ended June 30, 2013 (FY 2013).

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 18,247 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 the consent of the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its 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, deferred inflows, deferred outflows, and net position at year-end. A condensed comparison of the Statement of Net Position is as follows:

Condensed Statement of Net Position As of June 30th	FY 2014	FY 2013
Assets		
Current Assets	\$ 25,381,129	\$ 28,575,395
Capital Assets, net	156,661,032	143,394,145
Other Assets, non-current	45,666,027	39,600,000
Total Assets	\$ 227,708,188	\$ 211,569,540
Liabilities		
Current Liabilities	\$ 16,823,336	\$ 14,144,328
Other Liabilities, non-current	30,912,088	32,127,139
Total Liabilities	\$ 47,735,424	\$ 46,271,467
Deferred Inflows/Outflows	\$ -	\$ -
Net Position	\$ 179,972,764	\$ 165,298,073

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The modest decrease of \$3,194,266 in FY 2014 can be attributed to reclassifications of cash and investments between current and non-current as well as normal fluctuations.

Net capital assets increased by \$13,266,887 from FY 2013 to FY 2014. After taking into consideration current depreciation expense of \$4,110,954, the majority of the increase is the result of capital additions related to the construction of the Trades & Industry Complex and Student Life Buildings, both of which were due to be completed in 2015.

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

The increase in current liabilities from FY 2013 to FY 2014 is due primarily to higher accounts payable related to the Trades and Industry Complex and Student Life Building.

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.

The College's non-current liabilities continue to decrease as the College pays down the principal owed on Certificates of Participation.

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

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

Restricted:

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 2014	FY 2013
Net Investment in Capital Assets	\$128,055,263	\$113,276,847
Restricted		
Expendable	\$235,421	
Non-Restricted	\$51,682,080	\$52,021,226
Total Net Position	\$179,972,764	\$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 2014. The objective of the statement is to present the revenues received, both operating and non-operating, and the expenses paid by the College, along with any other revenue, expenses, 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 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.

Condensed statements of revenues, expense and changes in net position are presented below.

Condensed Statement of Revenue, Expenses and Changes in Net Position As of June 30th	FY 2014	FY 2013
Operating Revenues	\$ 61,637,743	\$ 60,509,302
Operating Expenses	88,740,129	85,155,808
Net Operating Loss	(27,102,386)	(24,646,506)
Non-Operating Revenues	33,480,812	32,120,400
Non-Operating Expenses	4,607,292	1,008,124
Gain (Loss) Before Other	1,771,134	6,465,770
Capital Appropriations	12,903,557	17,660,445
Increase (Decrease) in Net Position	14,674,691	24,126,215
Net Position, Beginning of the Year	165,298,073	141,171,858
Net Position, End of the Year	\$ 179,972,764	\$ 165,298,073

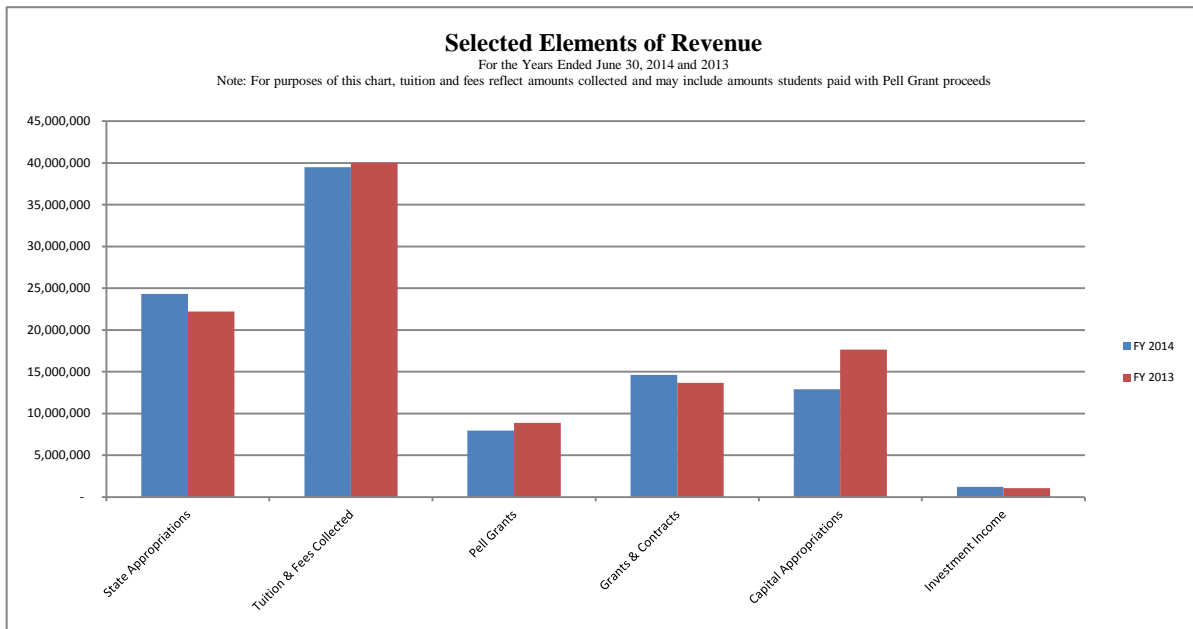
Revenues

Continuing a trend that began midway through fiscal year 2009, the College's state operating appropriations decreased multiple times up 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 small portion of the previous cuts.

Over this same period, the Legislature and SBCTC instituted increases in tuition rates to partially offset the reduction in state appropriations. Since enrollments decreased in FY 2014, the College's increase in tuition and fee revenue is primarily attributable to the increased tuition rates. Pell grant revenues generally follow enrollment trends. As the College's enrollment softened during FY 2014, so did the College's Pell Grant revenue. For FY2014, the College attempted to keep 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 2014, grant and contract revenues increased by \$827,538 when compared with FY 2013. The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses. The 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 expense in the current period and are instead recognized as depreciation expense over the expected useful lifetime of the asset.



Expenses

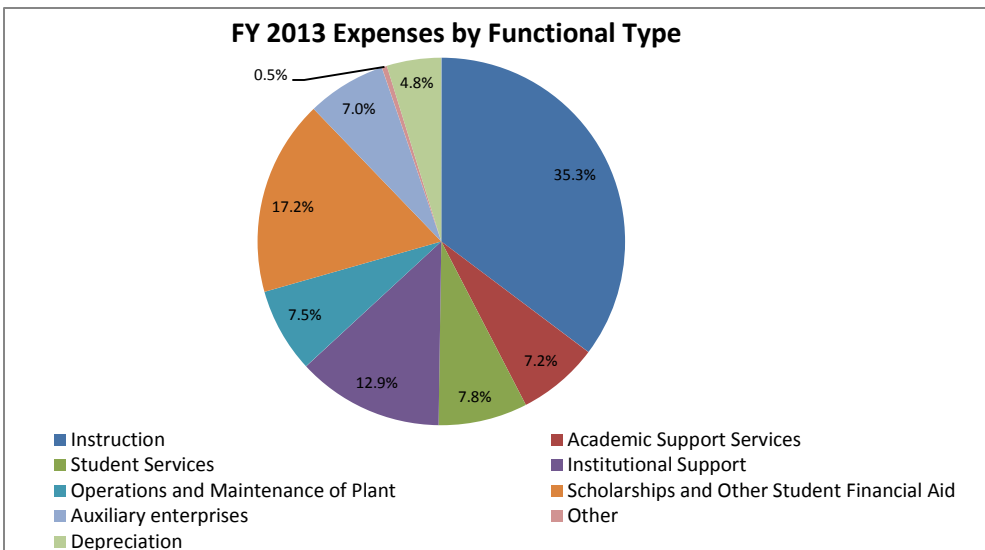
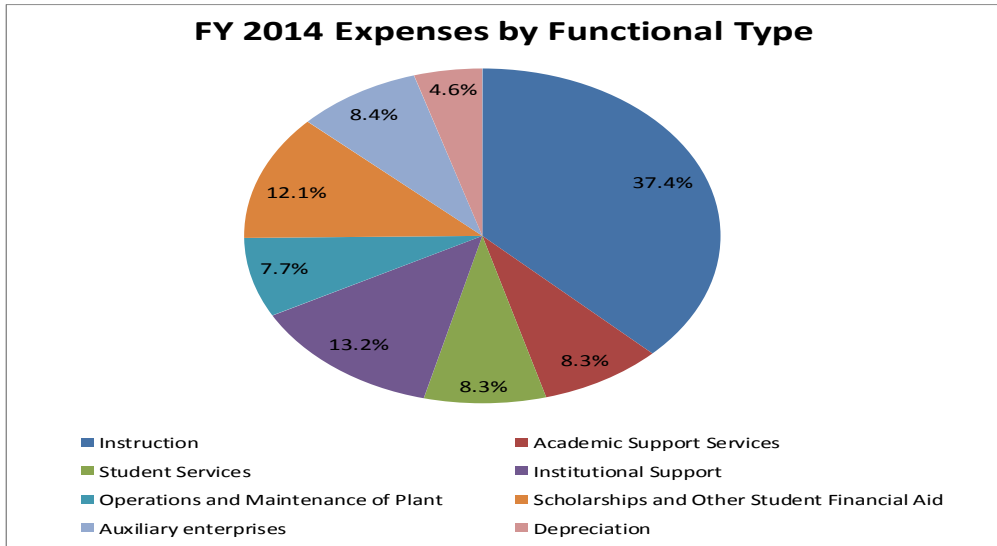
Faced with severe budget cuts over the past six years, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College decreased spending and services and was subject to various state spending freezes and employee salary reductions.

More recently, in FY 2014, salary and benefit costs increased \$1,708,488 as result of adding positions, negotiated increases for classified staff, having to compete in the job market in order to replace retiring exempt employees and/or faculty, new grant- or contract –funded positions, and impact on IT positions in preparation for ctcLink.

Scholarships decreased \$3,729,606 as a result of certain non-recurring reclassifications made from the FY 2013 audit. Purchased services increased \$4,152,231 in FY 2014, 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.

Operating Expenses by Function

The chart below shows the percentage of each functional area of operating expenses for FY 2014.



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. In addition, 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, 2014, the College had invested \$156,661,032 in capital assets, net of accumulated depreciation. This represents an increase of \$13,266,887 from last year, as shown in the table below.

Asset Type	June 30, 2014	June 30, 2013	Change
Land	\$ 1,038,679	\$ 1,038,679	\$ -
Construction in Progress	18,706,687	18,081,145	625,542
Buildings, net	126,131,815	113,129,852	13,001,963
Other Improvements and Infrastructure, net	7,123,966	7,754,646	(630,680)
Equipment, net	3,142,942	2,878,930	264,012
Library Resources, net	516,943	510,893	6,050
Total Capital Assets, Net	\$ 156,661,032	\$ 143,394,145	\$ 13,266,887

The increase in net capital assets can be attributed to significant capital projects that were in process on June 30, 2014, including the Student Life Center. Refer to Note 5 for additional information.

At June 30, 2014, the College had \$28,605,769 in outstanding debt. The College continued to pay down its existing Certificates of Participation (COP) during 2014. No new certificates were issued. Refer to Note 11 for annual debt service requirements and Note 12 for additional information regarding debt activity during the year ended June 30, 2014.

	June 30, 2014	June 30, 2013	Change
Certificates of Participation	\$28,605,769	\$30,117,298	(1,511,529)
Total	\$28,605,769	\$30,117,298	(1,511,529)

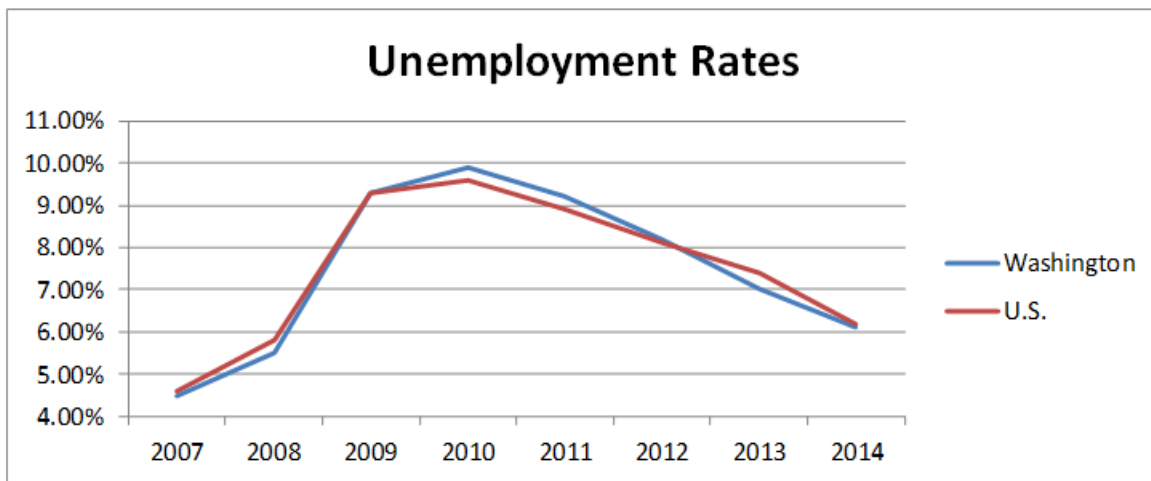
Economic Factors That Will Affect the Future

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

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

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

A hallmark of community colleges is the flexibility to quickly respond to the needs of the community, resulting in a pattern of high enrollment during economic downturns, punctuated by lower enrollment when the job market is strong. The Great Recession of 2008 has had a lingering effect on the job market in Washington, which has only recently shown improvement. Enrollment fluctuations are a more significant concern for higher education finances in the current environment where state support has been reduced and tuition revenues make up a larger and larger share of college budgets. The College has experienced enrollment declines as the state economy improves, repeating the College's historic enrollment patterns related to unemployment rates.



INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Green River College July 1, 2013 through June 30, 2014

Board of Trustees
Green River College
Auburn, 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 the Green River College, King County, Washington, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Green River Community 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 Community 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 Community 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 opinions.

Opinion

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

Matters of Emphasis

As discussed in Note 1, the financial statements of the Green River College, an agency of the state of Washington, are intended to present the financial position, and 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 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, 2014, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and 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 Trustees and Administrative Officers is presented for purposes of additional analysis and is 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 July 17, 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy
State Auditor
Olympia, WA

July 17, 2017

Green River Community College
Statement of Net Position
June 30, 2014

Assets

Current assets

Cash and cash equivalents	15,364,899
Restricted Cash	378,517
Short-term investments	1,500,000
Accounts Receivable	5,053,696
Due from State Treasurer	2,008,700
Interest Receivable	223,923
Inventories	644,427
Prepaid Expenses	206,967
Total current assets	25,381,129

Non-Current Assets

Long-term investments	45,666,027
Student Loans Receivable	-
Nondepreciable Capital Assets	19,745,366
Depreciable Capital Assets, net	136,915,666
Total non-current assets	202,327,059

Total assets **227,708,188**

Deferred Outflows of Resources

Total Deferred Outflows of Resources -

Liabilities

Current Liabilities

Accounts Payable	4,250,453
Accrued Liabilities	2,819,772
Due to State Treasurer	38,241
Compensated absences	1,005
Deposits Payable	378,517
Unearned Revenue	7,785,265
Certificates of Participation Payable	1,550,083
Total current liabilities	16,823,336

Noncurrent Liabilities

Settlement Payable	320,800
Compensated Absences	3,535,602
Long-term liabilities	27,055,686
Total non-current liabilities	30,912,088

Total liabilities **47,735,424**

Deferred Inflows of Resources

Total Deferred Inflows of Resources -

Net Position

Net Investment in Capital Assets	128,055,263
Restricted for:	
Expendable	235,421
Unrestricted	51,682,080
Total Net Position	179,972,764

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, 2014

Operating Revenues

Student tuition and fees, net	39,489,081
Auxiliary enterprise sales	4,429,766
State and local grants and contracts	14,620,253
Federal grants and contracts	1,257,138
Other operating revenues	1,841,505
Total operating revenue	<u>61,637,743</u>

Operating Expenses

Operating Expenses	10,708,981
Salaries and wages	38,157,531
Benefits	12,250,108
Scholarships and fellowships	10,920,806
Supplies and materials	4,112,568
Depreciation	4,110,954
Purchased services	7,059,001
Utilities	1,420,180
Total operating expenses	<u>88,740,129</u>

Operating income (loss) (27,102,386)

Non-Operating Revenues (Expenses):

State appropriations	24,332,635
Federal Pell grant revenue	7,950,968
Investment income, gains and losses	1,197,209
Capital Asset Adjustments	(672,829)
Building Fee Remittance	(1,825,352)
Innovation Fee Remittance	(512,102)
Settlement	(320,800)
Interest on indebtedness	(1,276,209)
Total non-operating revenue (expenses)	<u>28,873,520</u>

Income or (loss) before capital appropriations 1,771,134

Capital appropriations 12,903,557

Increase (Decrease) in net position 14,674,691

Net Position

Net position, beginning of year	<u>165,298,073</u>
Net position, end of year	<u>179,972,764</u>

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, 2014**

Cash flow from operating activities

Student tuition and fees	39,432,717
Grants and contracts	16,628,172
Payments to vendors	(19,921,390)
Payments for utilities	(1,650,660)
Payments to employees	(38,122,455)
Payments for benefits	(12,243,496)
Auxiliary enterprise sales	4,538,286
Payments for scholarships and fellowships	(10,920,806)
Other receipts	3,360,094
Net cash used by operating activities	<u>(18,899,538)</u>

Cash flow from noncapital financing activities

State appropriations	26,567,603
Pell grants	7,950,968
Building Fee remittance	(1,817,478)
Innovation Fee remittance	(511,585)
Net cash provided by noncapital financing activities	<u>32,189,508</u>

Cash flow from capital and related financing activities

Capital appropriations	10,698,439
Purchases of capital assets	(18,050,669)
Principal paid on capital debt	(1,511,529)
Interest paid	(1,276,209)
Net cash used by capital and related financing activities	<u>(10,139,968)</u>

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, 2014

Cash flow from investing activities	
Purchase of investments	(13,566,027)
Proceeds from sales and maturities of investments	6,480,143
Income of investments	1,197,209
Net cash provided by investing activities	<u>(5,888,675)</u>
Increase (decrease) in cash and cash equivalents	(2,738,673)
Cash and cash equivalents at the beginning of the year	<u>18,482,088</u>
Cash and cash equivalents at the end of the year	<u><u>15,743,415</u></u>
Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	<u>(27,102,386)</u>
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	4,110,954
Changes in assets and liabilities	
Receivables, net	1,395,943
Inventories	23,016
Other assets	56,490
Accounts payable	901,999
Accrued liabilities	773,623
Unearned Revenue	837,419
Compensated absences	15,240
Deposits payable	88,164
Net cash used by operating activities	<u><u>(18,899,538)</u></u>
Non-cash capital and related financing activities	
Construction in progress financed by retainage payable	1,742,019

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, 2014

	Foundation	LLC	Total
ASSETS			
Cash and cash equivalents	\$ 134,844	\$ 603,227	\$ 738,071
Pooled Investments less allowance of \$67,595 and \$80,595 respectively	14,570,808	-	14,570,808
Investments - bond reserves	-	1,643,858	1,643,858
Accounts receivable, less allowance of \$15,378 and \$23,609 respectively	61,484	131,486	192,970
Installment contract receivable	50,074	-	50,074
Annuity policies	256,265	-	256,265
Land, at cost	367,808	-	367,808
Buildings and equipment, net	462,755	8,547,182	9,009,937
Debt issuance costs, net	-	309,257	309,257
Other assets	1,737	81,768	83,505
Total assets	\$ 15,905,775	\$ 11,316,778	\$ 27,222,553
LIABILITIES			
Accounts payable and other	\$ 36,828	\$ 189,545	\$ 226,373
Annuities payable	120,260	-	120,260
Agency payable	88,635	-	88,635
Unearned rental revenue	-	280,890	280,890
Interest payable	-	44,136	44,136
Fair value of interest rate swap agreement	-	577,942	577,942
Note payable	377,556	14,550,210	14,927,766
Total liabilities	623,279	15,642,723	16,266,002
NET ASSETS			
Unrestricted			
Unrestricted-Foundation	\$ 6,200,073	\$ -	\$ 6,200,073
Member's deficit-LLC	-	(4,325,945)	(4,325,945)
Temporarily restricted	2,853,202	-	2,853,202
Permanently restricted	6,229,221	-	6,229,221
Total net assets	15,282,496	(4,325,945)	10,956,551
Total liabilities and net assets	\$ 15,905,775	\$ 11,316,778	\$ 27,222,553

Green River Community College Foundation and Subsidiary
Consolidated Statement of Activities
For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Foundation	LLC	Total
Support and Revenue						
Contributions	\$ 117,187	\$ 164,584	\$ 89,852	\$ 371,623	\$ -	\$ 371,623
In-kind contributions	6,974	4,640	-	11,614	-	11,614
Value of services per agreement with GRCC	329,057	-	-	329,057	-	329,057
Investment Return	936,624	1,212,523	34,461	2,183,608	29,564	2,213,172
Rental Income	104,929	-	-	104,929	2,376,908	2,481,837
Program fees	65,508	-	-	65,508	-	65,508
Fundraisers	10,144	10,416	-	20,560	-	20,560
Other	176,188	907	-	177,095	141,737	318,832
Net assets released from restrictions and other transfers	480,683	(479,933)	(750)	-	-	-
Total support and revenue	<u>\$ 2,227,294</u>	<u>\$ 913,137</u>	<u>\$ 123,563</u>	<u>\$ 3,263,994</u>	<u>\$ 2,548,209</u>	<u>\$ 5,812,203</u>
Expenses						
Office expense	\$ 36,216	\$ -	\$ -	\$ 36,216	\$ 583,555	\$ 619,771
Interest	11,310	-	-	11,310	586,074	597,384
Personal assistance	242,047	-	-	242,047	288,139	530,186
Depreciation and amortization	38,552	-	-	38,552	482,128	520,680
Scholarships	400,762	-	-	400,762	-	400,762
Services received per agreement with GRCC	329,057	-	-	329,057	-	329,057
Rent and management fees	-	-	-	-	194,013	194,013
Hosting	131,964	-	-	131,964	-	131,964
Administrative costs	23,001	-	-	23,001	63,289	86,290
Program development	74,259	-	-	74,259	-	74,259
Taxes and insurance	9,454	-	-	9,454	60,820	70,274
Trophies and awards	68,735	-	-	68,735	-	68,735
Professional fees	23,056	-	-	23,056	27,227	50,283
Travel	25,312	-	-	25,312	11,340	36,652
Software support	17,384	-	-	17,384	-	17,384
Printing	12,915	-	-	12,915	-	12,915
GRCC donations	4,640	-	-	4,640	-	4,640
Bad debt recovery	(11,925)	-	-	(11,925)	-	(11,925)
Other	14,330	-	-	14,330	2,200	16,530
Total expenses	<u>1,451,069</u>	<u>-</u>	<u>-</u>	<u>1,451,069</u>	<u>2,298,785</u>	<u>3,749,854</u>
Change in net assets before change in fair value of interest rate swap agreement and loss on redemption of bonds						
	\$ 776,225	\$ 913,137	\$ 123,563	\$ 1,812,925	\$ 249,424	\$ 2,062,349
Change in fair value of interest rate swap	-	-	-	-	(577,942)	(577,942)
Loss on redemption of bonds	-	-	-	-	(1,649,971)	(1,649,971)
Change in unrestricted net assets	776,225	-	-	776,225	(1,978,489)	(1,202,264)
Change in temporarily restricted net assets	-	913,137	-	913,137	-	913,137
Change in permanently restricted net assets	-	-	123,563	123,563	-	123,563
Total change in net assets	776,225	913,137	123,563	1,812,925	(1,978,489)	(165,564)
Net assets, beginning of year	5,423,848	1,940,065	6,105,658	13,469,571	(2,347,456)	11,122,115
Net assets, end of year	<u>\$ 6,200,073</u>	<u>\$ 2,853,202</u>	<u>\$ 6,229,221</u>	<u>\$ 15,282,496</u>	<u>\$ (4,325,945)</u>	<u>\$ 10,956,551</u>

Green River Community College
Notes to the Financial Statements
For the Year Ended June 30, 2014

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 501(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, 2014, the Foundation distributed approximately \$809,284 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.

Green River Community College
Notes to the Financial Statements
For the Year Ended June 30, 2014

New Accounting Pronouncements

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

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

Basis of Accounting

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

Non-exchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange includes state and federal appropriations, and certain grants and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, 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, interfund receivables and payables have generally been eliminated. However, revenues and expenses from the College's auxiliary enterprises are treated as though the College were dealing with private vendors. For all other funds, transactions that are reimbursements of expenses are recorded as reductions of expense.

Cash, 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.

Green River Community College
Notes to the Financial Statements
For the Year Ended June 30, 2014

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 securities.

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 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 value at the date of the gift. 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 if their useful life is two or more years.

Depreciation is computed using the straight line method over the estimated useful lives of the assets as defined by the State of Washington's Office of Financial Management. Useful lives range from 15 to 50 years for buildings and improvements, 3 to 50 years for improvements other than buildings, 7 years for library resources and 2 to 10 years for most equipment and 11 to 40 years for heavy duty equipment, aircraft, locomotives and vessels.

Green River Community College
Notes to the Financial Statements
For the Year Ended June 30, 2014

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

Unearned Revenues

Unearned revenues occur when funds have been collected prior to the end of the current fiscal year but will be earned in 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.
- *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 principle.
- *Restricted for Expendable.* These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.
- *Unrestricted.* These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

Classification of Revenues

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.

**Green River Community College
Notes to the Financial Statements
For the Year Ended June 30, 2014**

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2014 are \$5,510,503.

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.

Operating Expenses

Operating expenses include salaries, wages, fringe benefits, utilities, supplies and materials, purchased services, and depreciation. All other expenses of the College are reported as non-operating expenses including building fee remittance, innovation fee remittance 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, 2014, the carrying amount of the College's cash and equivalents was \$15,743,416 as represented in the table below.

Cash and Cash Equivalents	June 30, 2014
Petty Cash and Change Funds	\$17,184
Bank Demand and Time Deposits	\$14,245,992
Investments with Original Maturity of 90 days or less	\$1,480,240
Total Cash and Cash Equivalents	\$15,743,416

Unrestricted Cash	\$15,364,899
Cash Restricted for Deposits Payable	\$378,517

Investments consist of U.S. Agency securities.

Investment Maturities	Fair Value	One Year or Less	1 - 5 Years	6 - 10 Years	10 or More Years
U.S. Agency Obligations	\$ 47,166,027	\$ 1,500,000	\$ 4,149,288	\$ 5,500,000	\$ 36,016,739
Total Investments	\$ 47,166,027	\$ 1,500,000	\$ 4,149,288	\$ 5,500,000	\$ 36,016,739

**Green River Community College
Notes to the Financial Statements
For the Year Ended June 30, 2014**

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, 2014, \$47,166,027 of the College's operating fund investments, held by US Bank Safekeeping as agent for the College, are exposed to custodial credit risk as follows.

Investments Exposed to Custodial Risk	Fair Value
US Bank Safekeeping	\$47,166,027

Investment Expenses

Under implementation of GASB 35, investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2014 were \$5,248.

Green River Community College
Notes to the Financial Statements
For the Year Ended June 30, 2014

3. Accounts Receivable

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

Accounts Receivable and Due from State Treasurer	Amount
Student Tuition and Fees	\$ 997,645
Due from the Federal Government	1,141,288
Due from Other State Agencies	3,474,843
Due from Other Governments	1,557,543
Auxiliary Enterprises	256,006
Other	113,485
<i>Subtotal</i>	<i>\$ 7,540,810</i>
Less Allowance for Uncollectible Accounts	(478,414)
Total Accounts Receivable and Due from State Treasurer	\$ 7,062,396
Accounts Receivable, net	\$ 5,053,696
Due from State Treasurer	\$ 2,008,700

4. Inventories

Inventories, stated at cost, consisted of the following as of June 30, 2014.

Inventories	Amount
Consumable Inventories	\$ 41,312
Merchandise Inventories	558,552
Raw Materials Inventories	44,563
Inventories	\$ 644,427

Green River Community College
Notes to the Financial Statements
For the Year Ended June 30, 2014

5. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2014 is presented as follows. The current year depreciation expense was \$4,110,954.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Nondepreciable capital assets				
Land	\$ 1,038,679	\$ -	\$ -	\$ 1,038,679
Construction in progress	18,081,145	14,229,432	(13,603,890)	18,706,687
Total nondepreciable capital assets	19,119,824	14,229,432	(13,603,890)	19,745,366
Depreciable capital assets				
Buildings	138,769,436	16,256,915	(2,278,071)	152,748,280
Other improvements and infrastructure	12,033,019	-	(552,828)	11,480,191
Equipment	7,810,643	888,956	(188,530)	8,511,069
Library resources	2,464,032	136,088	-	2,600,120
Subtotal depreciable capital assets	161,077,130	17,281,959	(3,019,429)	175,339,660
Less accumulated depreciation				
Buildings	25,639,584	2,564,473	(1,587,592)	26,616,465
Other improvements and infrastructure	4,278,373	601,914	(524,062)	4,356,225
Equipment	4,931,713	814,529	(378,115)	5,368,127
Library resources	1,953,139	130,038	-	2,083,177
Total accumulated depreciation	36,802,809	4,110,954	(2,489,769)	38,423,994
Total depreciable capital assets	124,274,321	13,171,005	(529,660)	136,915,666
Capital assets, net of accumulated depreciation	\$ 143,394,145	\$ 27,400,437	\$ (14,133,550)	\$ 156,661,032

6. Accounts Payable and Accrued Liabilities

At June 30, 2014, accounts payable and accrued liabilities consisted of the following.

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	\$ 1,077,754
Accounts Payable	4,250,453
Amounts Held for Others and Retainage	1,742,019
Total	\$ 7,070,226

**Green River Community College
Notes to the Financial Statements
For the Year Ended June 30, 2014**

7. Unearned Revenue

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

Unearned Revenue	Amount
Summer Quarter Tuition and Fees	\$ 3,342,513
Housing and Other Deposits	476,120
Grants and Contracts	3,966,632
Total Unearned Revenue	\$ 7,785,265

8. Risk Management

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The college finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2013 through June 30, 2014, were \$245,163. Cash reserves for unemployment compensation for all employees at June 30, 2014, 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.

9. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled \$1,447,948, and accrued sick leave totaled \$2,088,659 at June 30, 2014.

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.

**Green River Community College
Notes to the Financial Statements
For the Year Ended June 30, 2014**

10. 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. Interest is charged at a rate of 2.76%.

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. Interest is charged on both of these COPs at a rate of 4.46%.

As of June 30, 2014, the College held funds in the amount of \$8,500,120 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.

11. Annual Debt Service Requirements

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

Annual Debt Service Requirements			
	Certificates of Participation		
Fiscal year	Principal	Interest	Total
2015	1,550,083	1,229,887	2,779,970
2016	1,595,686	1,182,071	2,777,757
2017	1,635,000	1,130,238	2,765,238
2018	1,570,000	1,064,838	2,634,838
2019	1,625,000	1,002,038	2,627,038
2020-2024	9,205,000	3,958,206	13,163,206
2025-2029	11,425,000	1,729,900	13,154,900
Total	28,605,769	11,297,178	39,902,947

12. Schedule of Long Term Liabilities

	Balance outstanding 6/30/13	Additions	Reductions	Balance outstanding 6/30/14	Current portion
Certificates of Participation	\$ 30,117,298	\$ -	\$(1,511,529)	\$28,605,769	\$1,550,083
Compensated Absences	3,521,367	1,365,444	(1,350,204)	3,536,607	1,005
Settlement Payable	-	320,800	-	320,800	-
Total	33,638,665	1,686,244	(2,861,733)	32,463,176	1,551,088

Green River Community College
Notes to the Financial Statements
For the Year Ended June 30, 2014

13. Pension Plans

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

For FY2013-14, the payroll for the College's employees was \$9,329,783 for PERS, \$605,911 for TRS, and \$24,099,716 for SBRP. Total covered payroll was \$34,035,410.

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 publicly available financial reports that include financial statements and required supplementary information. The report may be obtained by writing to the Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at <http://www.drs.wa.gov/administration>.

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

**Green River Community College
Notes to the Financial Statements
For the Year Ended June 30, 2014**

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

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

Contribution Rates at June 30						
	FY2012		FY2013		FY2014	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	6.00%	7.08%	6.00%	7.21%	6.00%	9.21%
Plan 2	4.64%	7.08%	4.64%	7.21%	4.92%	9.21%
Plan 3	5 - 15%	7.08%	5 - 15%	7.21%	5 - 15%	9.21%
TRS						
Plan 1	6.00%	8.04%	6.00%	8.05%	6.00%	10.39%
Plan 3	5-15%	8.04%	5-15%	8.05%	5-15%	10.39%

Required Contributions						
	FY2012		FY2013		FY2014	
Plan	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	\$20,716	\$24,445	\$20,996	\$25,230	\$21,023	\$32,270
Plan 2	\$277,673	\$423,690	\$281,684	\$437,703	\$302,606	\$566,464
Plan 3	\$109,111	\$154,502	\$128,435	\$185,203	\$141,444	\$260,540
TRS						
Plan 1	\$7,504	\$10,055	\$2,325	\$3,120	\$4,679	\$8,102
Plan 3	\$11,059	\$17,783	\$19,641	\$31,622	\$26,397	\$54,853

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.

Green River Community College
Notes to the Financial Statements
For the Year Ended June 30, 2014

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, 2014 were each \$2,048,997.

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2014, supplemental benefits were paid by the SBCTC on behalf of the College in the amount of \$21,394. 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 2014, the College paid into this fund at a rate of 0.5% of covered salaries, totaling \$122,439. As of June 30, 2014, the Community and Technical College system accounted for \$5,008,355 of the fund balance.

Washington State Deferred Compensation Program

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

Other Post-Employment Benefits

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

**Green River Community College
Notes to the Financial Statements
For the Year Ended June 30, 2014**

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 \$15,823,790, with an annual required contribution (ARC) of \$1,545,993. The ARC represents the amortization of the liability for fiscal year 2014 plus the current expense for active employees, which is reduced by the current contributions of approximately \$290,884. The College's net OPEB obligation (NOO) at June 30, 2014 was approximately \$1,255,108. This amount is not included in the College's financial statements.

The College paid \$6,034,776 for healthcare expenses in 2014, which included its pay-as-you-go portion of the OPEB liability.

14. 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, 2014.

Expenses by Functional Classification	
Instruction	\$ 33,161,689
Academic Support Services	7,381,673
Student Services	7,337,049
Institutional Support	11,687,318
Operations and Maintenance of Plant	6,817,082
Scholarships and Other Student Financial Aid	10,752,389
Auxiliary enterprises	7,491,975
Depreciation	4,110,954
Total operating expenses	\$ 88,740,129

**Green River Community College
Notes to the Financial Statements
For the Year Ended June 30, 2014**

15. 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. 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. As of the end of fiscal year 2014, the parties have reached a settlement agreement with the plaintiffs to settle all matters relating to this and related lawsuits. On March 29th 2016, the legislature passed the supplemental budget which included an appropriation to fund the settlement for the Moore v. HCA lawsuit. SBCTC's portion of this obligation is \$32 million of which \$19 million is funded by the legislature and the remaining \$13 million will be allocated among 34 colleges in the system. Green River Community College's share of this lawsuit is \$320,800 and has been included in the financial statements as a settlement payable.

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 \$43,225,660 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings.

16. 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.

On March 29th 2016, the legislature passed the supplemental budget which included an appropriation to fund the settlement for the Moore v. HCA lawsuit. SBCTC's portion of this obligation is \$32 million of which \$19 million is funded by the legislature and the remaining \$13 million will be allocated among 34 colleges in the system. Green River Community College's share of this lawsuit is \$320,800. See Note 15 for additional information.