GREEN RIVER COLLEGE

2014-2015 Financial Report

2015
Financial Report

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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 Community College
12401 SE 320th Street
Auburn, WA 98092-3622
(253) 288-3322

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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, 2015 (FY 2015). 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 18,879 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 as of June 30, 2015. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the college's financial health.

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

During 2015, the College adopted GASB Statement No. 68, as amended by GASB Statement No. 71. These statements require the College to record its proportionate share of net pension liabilities, deferred outflows and inflows by restating its 2014 net position, pension liabilities and deferral of resources as a change in accounting principle. For the purposes of this analysis, the restatement of the 2014 net position was made to conform to 2015 presentation. The change in accounting principle resulted in a reduction to unrestricted net position in the amount of $9,034,030. This decrease resulted in the restatement of net position to a balance of $170,932,778 for the year ending June 30, 2014.

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 2015**	**FY 2014**
Assets		
Current Assets	30,362,883	25,375,173
Capital Assets, net	191,822,926	156,661,032
Other Assets, non-current	47,175,983	45,666,027
Total Assets	**$ 269,361,792**	**$ 227,702,232**
Deferred Outflows	**$ 932,971**	**$ 891,326**
Liabilities		
Current Liabilities	17,223,583	16,823,336
Other Liabilities, non-current	48,531,381	40,837,444
Total Liabilities	**$ 65,754,964**	**$ 57,660,780**
Deferred Inflows	**$ 2,939,739**	**$0**
Net Position, as restated	**$ 201,600,060**	**$ 170,932,778**

Current assets consist primarily of cash, investments, various accounts receivables, inventories and prepaid expenses. The increase in current assets in FY2015 can be attributed to higher amounts of cash and cash equivalents related to increased cash balances generated by International Programs.

Net capital assets increased by $35,161,894 from FY 2014 to FY 2015. After taking into consideration current depreciation expense of $4,616,041, the majority of the increase is the result of the construction of the Trades and Industries Complex and Student Life Building, both due to be completed in calendar year 2015.

Other non-current assets consist primarily of the long-term portion of certain investments The college increased its long-term investments in response to investment opportunities and cash available for investment.

Deferred outflows of resources totaling $932,971 are primarily related to the pension contributions paid during the current year but after the measurement date of the actuarially determined pension liability.

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 2014 to FY 2015 is due to an increase in the current portion of COP debt as a result of a new of a new Certificate of Participation issued during the year.

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

The College's significant increase in non-current liabilities is the result of a new Certificate of Participation to fund the construction of the Student Life Center, and the implementation of GASB Statement No. 68, reflecting the College's proportionate share of the net pension liability.

Deferred inflows of resources related to the College's net pension liability totaled $2,939,739. Deferred inflows of resources include the calculated difference between actual and projected investment earnings on the state's pension plans.

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

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

Restricted:

Nonexpendable – consists of funds 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.

As stated earlier in this section, the College's net position was adjusted by $9,034,030 to reflect the implementation of GASB Statement No. 68 to report the net pension liability and the offsetting adjustment to net position.

Net Position As of June 30th	**FY 2015**	**FY 2014**
Net investment in capital assets	$ 151,912,240	$ 128,055,263
Restricted		
Expendable	172,672	235,421
Unrestricted	49,515,148	51,682,080
Total Net Position	**$ 201,600,060**	**$ 179,972,764**

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 2015. 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, grants and contracts are included in this category. In contrast, non-operating revenues include monies the college receives without directly giving equal value 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 comparison of the College's revenues, expense and changes in net position for the years ended June 30, 2015 and 2014 is presented below.

As of June 30th	FY 2015	FY 2014
Operating Revenues	$ 65,077,339	$ 61,637,743
Operating Expenses	87,613,710	88,740,129
Net Operating Loss	**(22,536,371)**	**(27,102,386)**
Non-Operating Revenues and Expenses	28,536,813	28,873,520
Loss Before Other	**6,000,442**	**1,771,134**
Capital Appropriations and Contributions	24,660,884	12,903,557
Increase in Net Position	**30,661,326**	**14,674,691**
Net Position, Beginning of the Year	**179,972,764**	**165,298,073**
Cumulative effect of change in accounting principle	**(9,034,030)**	**0**
Net Position, End of the Year	**$ 201,600,060**	**$ 179,972,764**

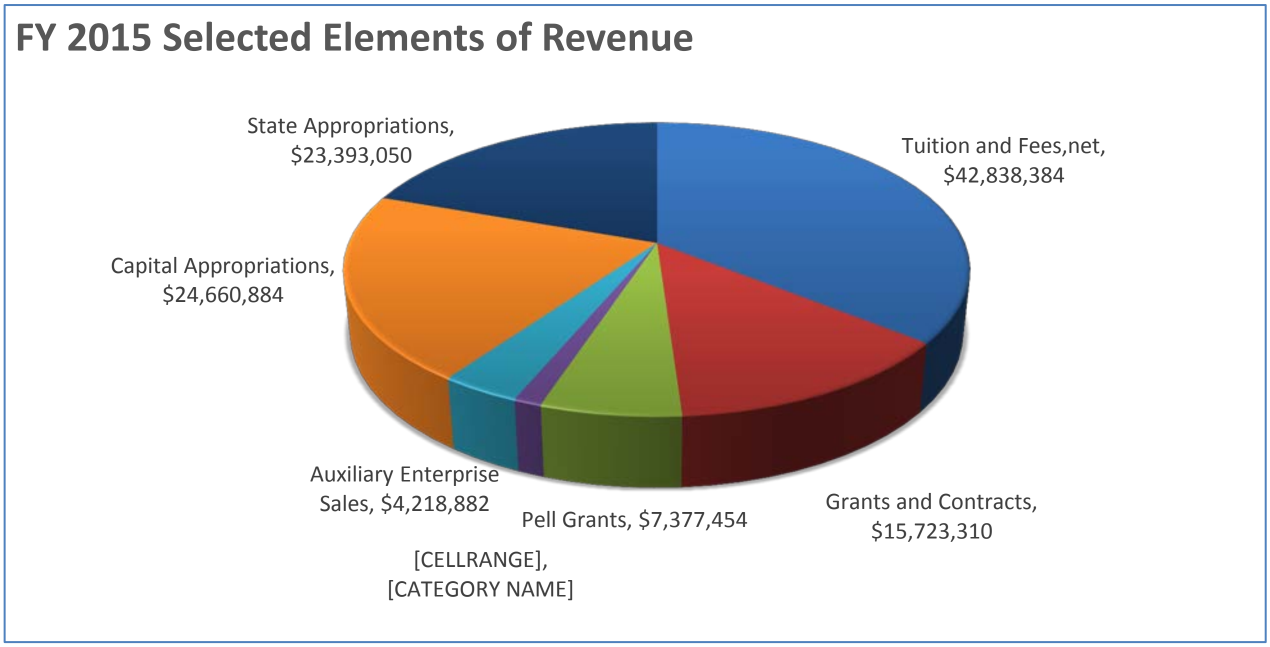
<u>Revenues</u>

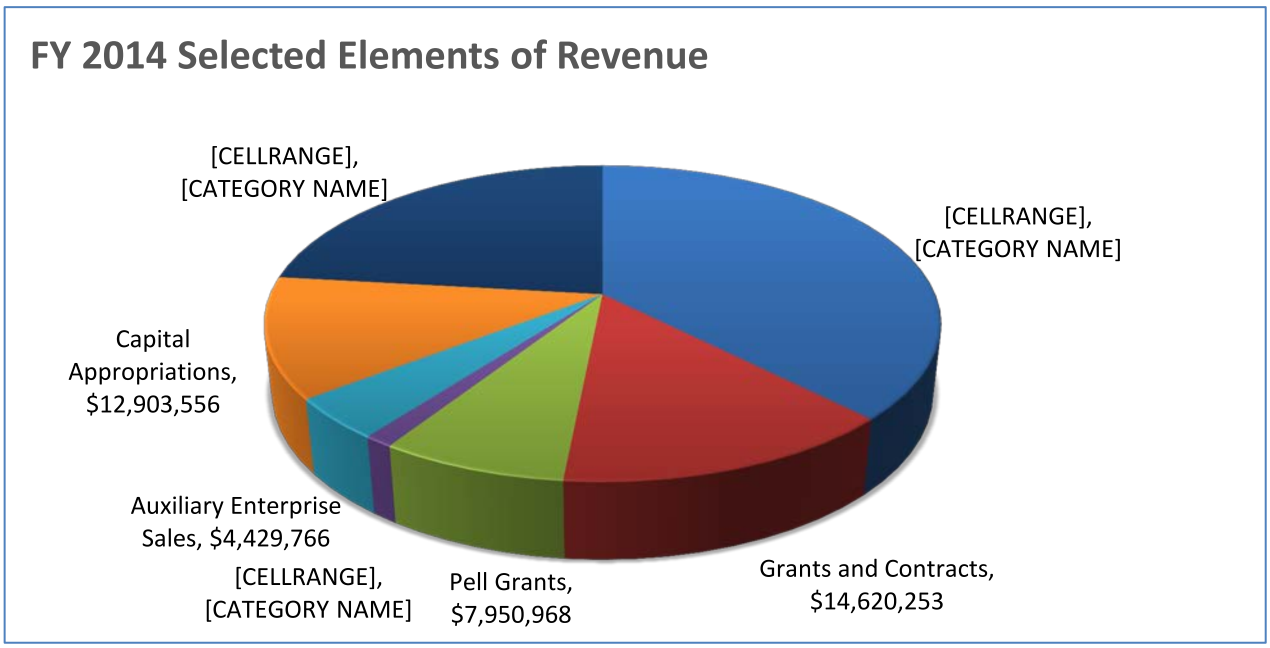
The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. System-level appropriations hit their height in FY 2009 and as of FY 2013 had been reduced by almost 24%. In 2014, the Legislature reinstated a fraction of the previous cuts.

Over this same period, the Legislature and SBCTC instituted increases in tuition rates to partially offset the reduction in state appropriations. Since enrollments leveled off in FY 2015, the College's increase in tuition and fee revenue is primarily attributable to increases in international enrollments and baccalaureate self-support programs. Pell grant revenues generally follow enrollment trends. As the College's enrollment softened during FY 2015, so did the College's Pell Grant revenue. For FY2015, 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 2015, grant and contract revenues increased by $1,103,057 when compared with FY 2014. 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.


FY 2015 Selected Elements of Revenue
State Appropriations, $23,393,050
Tuition and Fees,net, $42,838,384
Capital Appropriations, $24,660,884
Auxiliary Enterprise Sales, $4,218,882
Pell Grants, $7,377,454
Grants and Contracts, $15,723,310
[CELLRANGE], [CATEGORY NAME]

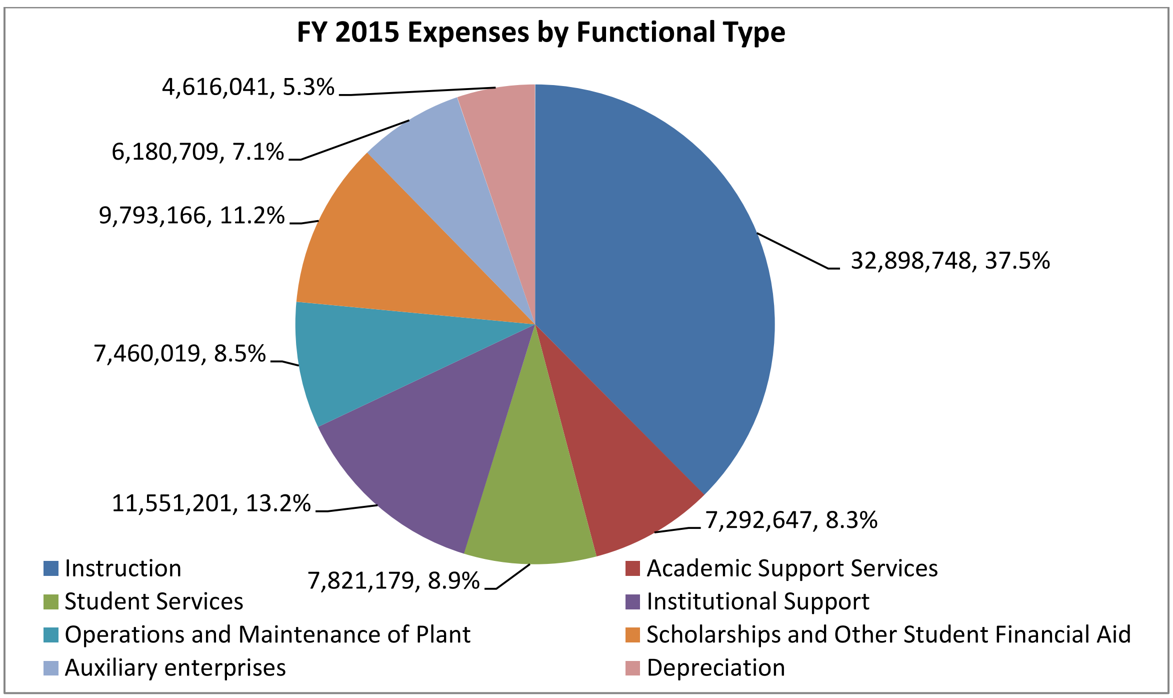

FY 2014 Selected Elements of Revenue
[CELLRANGE], [CATEGORY NAME]
[CELLRANGE], [CATEGORY NAME]
Capital Appropriations, $12,903,556
Auxiliary Enterprise Sales, $4,429,766
[CELLRANGE], [CATEGORY NAME]
Pell Grants, $7,950,968
Grants and Contracts, $14,620,253

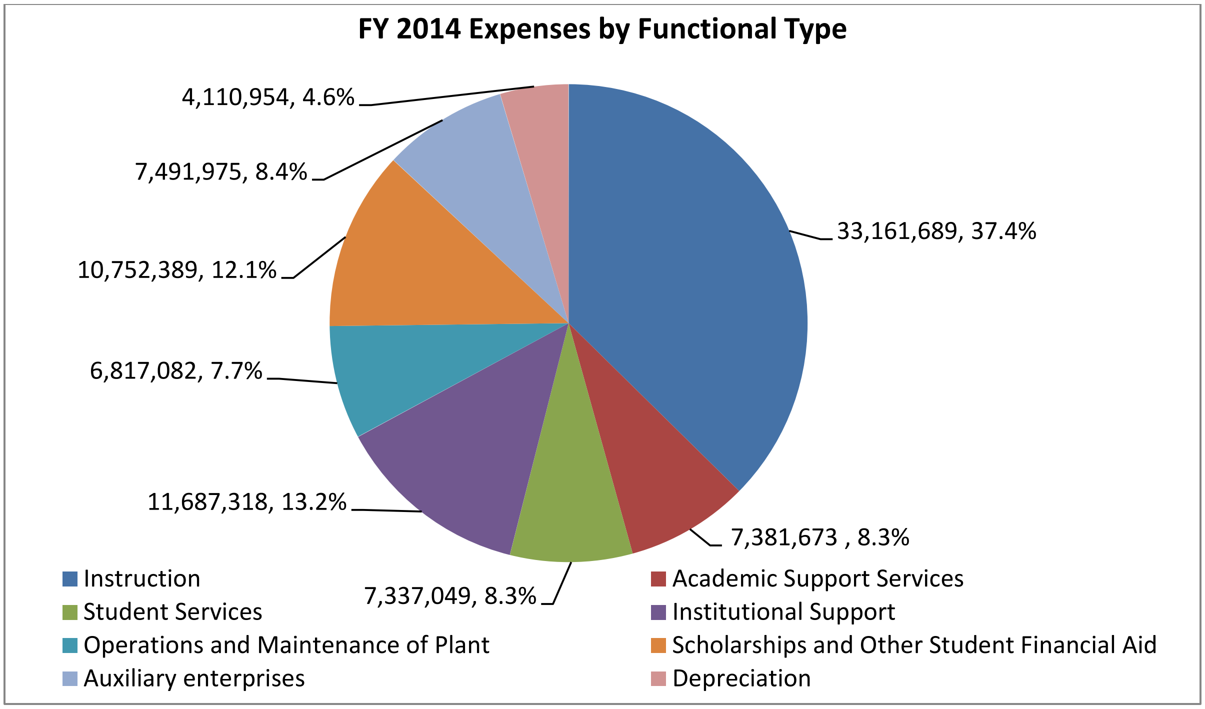
Expenses
Faced with severe budget cuts over the past six years, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College decreased spending and services and was subject to various state spending freezes and employee salary reductions.

More recently, in FY 2015, salary and benefit costs increased very slightly as a 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 impacts on IT positions in preparation for ctcLink.

Utility costs have also slightly increased as a result of adding additional facilities with resulting energy needs. Supplies and materials and purchased services are slightly lower in FY 2015, primarily as a result of a reduced 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 2015.





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, 2015, the College had invested $191,822,926 in capital assets, net of accumulated depreciation. This represents an increase of $35,161,894 from last year, as shown in the table below.

Asset Type	**June 30, 2015**	**June 30, 2014**	**Change**
Land	$ 1,038,679	$ 1,038,679	$ -
Construction in Progress	56,991,398	18,706,687	38,284,711
Buildings, net	123,374,798	126,131,815	(2,757,017)
Other Improvements and Infrastructure, net	6,623,379	7,123,966	(500,587)
Equipment, net	3,275,070	3,142,942	132,128
Library Resources, net	519,602	516,943	2,659
Total Capital Assets, Net	**$ 191,822,926**	**$ 156,661,032**	**$ 35,161,894**

The increase in net capital assets can be attributed to significant capital projects that were in process on June 30, 2015, including the Student Life Center Building. Additional information on capital assets can be found in Note 5 of the Notes to the Financial Statements.

At June 30, 2015, the College had $39,910,686 in outstanding debt. The College entered into a Certificate of Participation (COP) for the Student Life Center during FY 2015.

	June 30, 2015	June 30, 2014	Change
Certificates of Participation	$39,910,686	$28,605,769	$11,304,917
Total	**$39,910,686**	**$28,605,769**	**$11,304,917**

Additional information of notes payable, long term debt and debt service schedules can be found in Notes 11 and 12 of the Notes to the Financial Statements.

Economic Factors That May 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 2015 tuition flat for resident, non-resident and baccalaureate students.

Beginning FY 2016, the Legislature enacted the Affordable Education Act, which reduced tuition by 5% at the College. This will further reduce the amount of tuition collected by the College. The Legislature did however backfill this loss. In FY 2017, the State Board for Community and Technical College's has elected to move to a new allocation model, changing how the state allocated funds are distributed to each college. The new model will be based on performance in several key indicators from general enrollments to enrollments in high cost programs, as well as student completion and achievement points. 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, therefore this new allocation model may be the only significant change that could affect the College's state allocation funding.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Green River College
July 1, 2014 through June 30, 2015

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, 2015, 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 audits. 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Green River College, as of June 30, 2015, 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 to the financial statements, in 2015, the College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* Our opinion is not modified with respect to this matter.

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, 2015, 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.

Pat McCarthy

State Auditor

Olympia, WA

July 17, 2017

Green River Community College
Statement of Net Position
June 30, 2015

Assets	
Current assets	
Cash and cash equivalents	20,801,255
Restricted Cash	479,747
Accounts Receivable	5,136,389
Due from State Treasurer	1,363,274
Interest Receivable	226,625
Inventories	587,104
Prepaid Expenses	268,488
Total current assets	28,862,883
Non-Current Assets	
Long-term investments	48,675,983
Nondepreciable Capital Assets	58,030,077
Depreciable Capital Assets, net	133,792,849
Total non-current assets	240,498,909
Total assets	**269,361,792**
Deferred Outflows of Resources	932,971
Total Deferred Outflows of Resources	**932,971**
Liabilities	
Current Liabilities	
Accounts Payable	4,742,399
Accrued Liabilities	1,669,470
Due to State Treasurer	64,762
Deposits Payable	479,747
Unearned Revenue	8,016,519
Leases and Certificates of Participation Payable	2,250,686
Total current liabilities	17,223,583
Noncurrent Liabilities	
Settlement Payable	320,800
Compensated Absences	3,683,184
Pension liabilty	6,867,397
Long-term portion of Certificates of Participation Payable	37,660,000
Total non-current liabilities	48,531,381
Total liabilities	**65,754,964**
Deferred Inflows of Resources	2,939,739
Total Deferred Inflows of Resources	**2,939,739**
Net Position	
Net Investment in Capital Assets	151,912,240
Restricted for:	
Expendable	172,672
Unrestricted	49,515,148
Total Net Position	**201,600,060**

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, 2015

Operating Revenues		
Student tuition and fees, net		42,838,384
Auxiliary enterprise sales		4,218,882
State and local grants and contracts		15,723,310
Federal grants and contracts		1,479,405
Other operating revenues		817,358
	Total operating revenue	65,077,339
Operating Expenses		
Operating Expenses		8,173,281
Salaries and wages		39,205,162
Benefits		11,321,657
Scholarships and fellowships		10,277,377
Supplies and materials		3,998,210
Depreciation		4,616,041
Purchased services		8,542,861
Utilities		1,479,121
	Total operating expenses	87,613,710
	Operating income (loss)	(22,536,371)
Non-Operating Revenues (Expenses)		
State appropriations		23,393,050
Federal Pell grant revenue		7,377,454
Investment income, gains and losses		1,246,657
Building fee remittance		(1,748,852)
Innovation fund remittance		(501,609)
Interest on indebtedness		(1,229,887)
	Net non-operating revenues (expenses)	**28,536,813**
Income or (loss) before capital appropriations		6,000,442
Capital Revenues		
Capital appropriations		24,660,884
	Increase (Decrease) in net position	30,661,326
Net Position		
Net position, beginning of year		179,972,764
Cumulative effect of change in accounting principle		(9,034,030)
Net position, beginning of year, as restated		170,938,734
Net position, end of year		201,600,060

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, 2015

Cash flow from operating activities	
Student tuition and fees	42,642,548
Grants and contracts	16,181,257
Payments to vendors	(22,305,692)
Payments for utilities	(591,829)
Payments to employees	(39,027,465)
Payments for benefits	(11,471,148)
Auxiliary enterprise sales	4,183,404
Payments for scholarships and fellowships	(10,277,377)
Other receipts	2,962,645
Net cash used by operating activities	(17,703,657)
Cash flow from noncapital financing activities	
State appropriations	22,424,841
Pell grants	7,377,454
Building fee remittance	(1,748,852)
Innovation fund remittance	(501,609)
Net cash provided by noncapital financing activities	27,551,834
Cash flow from capital and related financing activities	
Proceeds of capital debt	13,480,000
Capital appropriations	25,655,614
Purchases of capital assets	(39,777,935)
Principal paid on capital debt	(2,175,084)
Interest paid	(1,229,887)
Net cash used by capital and related financing activities	(4,047,292)

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, 2015

Cash flow from investing activities	
Purchase of investments	(7,009,656)
Proceeds from sales and maturities of investments	5,500,000
Income of investments	1,246,657
Net cash provided by investing activities	(262,999)
Increase in cash and cash equivalents	5,537,586
Cash and cash equivalents at the beginning of the year	15,743,416
Cash and cash equivalents at the end of the year	21,281,002
Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	(22,536,371)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	4,616,041
Changes in assets and liabilities	
Receivables , net	560,031
Inventories	57,323
Other assets	(61,521)
Accounts payable	491,946
Accrued liabilities	(1,150,302)
Unearned revenue	231,254
Compensated absences	146,577
Pension liability adjustment expense	(159,865)
Deposits payable	101,230
Net cash used by operating activities	(17,703,657)
Non-cash capital and related financing activities	
Construction in progress financed by retainage payable	550,224

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, 2015

	Foundation	LLC	Total
ASSETS			
Cash and cash equivalents	$ 100,417	$ 718,949	$ 819,366
Cash and cash equivalents held for endowment	192,906	-	192,906
Pooled Investments less allowance of $63,110 and $67,595 respectively	14,658,134	-	14,658,134
Investments - bond reserves	-	1,661,727	1,661,727
Accounts receivable, less allowance of $21,842 and $15,378 respectively	40,846	133,923	174,769
Installment contract receivable	54,143	-	54,143
Annuity policies	252,601	-	252,601
Land, at cost	385,808	-	385,808
Buildings and equipment, net	424,204	8,312,639	8,736,843
Debt issuance costs, net	-	294,472	294,472
Other assets	1,646	24,077	25,723
Total assets	**$ 16,110,705**	**$ 11,145,787**	**$ 27,256,492**
LIABILITIES			
Accounts payable and other	$ 44,012	$ 175,673	$ 219,685
Annuities payable	115,895	-	115,895
Agency payable	-	-	-
Unearned rental revenue	-	270,732	270,732
Interest payable	-	42,719	42,719
Fair value of interest rate swap agreement	-	667,194	667,194
Note payable	324,583	14,083,137	14,407,720
Total liabilities	**484,490**	**15,239,455**	**15,723,945**
NET ASSETS			
Unrestricted			
Unrestricted-Foundation	$ 6,018,210	$ -	$ 6,018,210
Member's deficit-LLC	-	(4,093,668)	(4,093,668)
Temporarily restricted	3,282,368	-	3,282,368
permanently restricted	6,325,637	-	6,325,637
Total net assets	15,626,215	(4,093,668)	11,532,547
Total liabilities and net assets	**$ 16,110,705**	**$ 11,145,787**	**$ 27,256,492**

Green River Community College Foundation and Subsidiary
Consolidated Statement of Activities
For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Foundation	LLC	Total
ASSETS						
Contributions	$ 131,707	$ 346,677	$ 100,045	$ 578,429	$ -	$ 578,429
In-kind contributions	3,156	65,554	-	68,710	-	68,710
Value of services per agreement with GRCC	327,792	-	-	327,792	-	327,792
Investment Return	(17,514)	514,211	24,371	521,068	4,779	525,847
Rental Income	104,929	-	-	104,929	2,425,554	2,530,483
Program fees	80,274	609	-	80,883	-	80,883
Fundraisers	10,975	8,907	-	19,882	-	19,882
Other	194,063	3,856	-	197,919	147,697	345,616
Net assets released from restrictions and						-
other transfers	538,648	(510,648)	(28,000)	-	-	-
Total support and revenue	$ 1,374,030	$ 429,166	$ 96,416	$ 1,899,612	$ 2,578,030	$ 4,477,642
Expenses						
Office expense	$ 39,638	$ -	$ -	$ 39,638	$ 563,108	$ 602,746
Personal assistance	233,075	-	-	233,075	331,340	564,415
Interest	9,855	-	-	9,855	520,470	530,325
Depreciation and amortization	38,551	-	-	38,551	487,734	526,285
Scholarships	416,798	-	-	416,798	-	416,798
Services received per agreement with GRCC	327,792	-	-	327,792	-	327,792
Rent and management fees	-	-	-	-	204,492	204,492
Hosting	143,148	-	-	143,148	-	143,148
Program development	77,331	-	-	77,331	-	77,331
Taxes and insurance	9,060	-	-	9,060	63,401	72,461
Professional fees	45,351	-	-	45,351	21,906	67,257
Trophies and awards	62,343	-	-	62,343	-	62,343
Administrative costs	(665)	-	-	(665)	59,772	59,107
GRCC donations	58,185	-	-	58,185	-	58,185
Software support	34,047	-	-	34,047	-	34,047
Travel	30,916	-	-	30,916	1,908	32,824
Printing	8,229	-	-	8,229	-	8,229
Bad debt expense	765	-	-	765	-	765
Other	21,474	-	-	21,474	2,371	23,845
Total expenses	1,555,893	-	-	1,555,893	2,256,502	3,812,395
Change in net assets before change in fair value of interest rate swap agreement	**$ (181,863)**	**$ 429,166**	**$ 96,416**	**$ 343,719**	**$ 321,528**	**$ 665,247**
Change in fair value of interest rate swap	-	-	-	-	(89,251)	(89,251)
Change in unrestricted net assets	(181,863)	-	-	(181,863)	232,277	50,414
Change in temporarily restricted net assets	-	429,166	-	429,166	-	429,166
Change in permanently restricted net assets	-	-	96,416	96,416	-	96,416
Total change in net assets	**(181,863)**	**429,166**	**96,416**	**343,719**	**232,277**	**575,996**
Net assets, beginning of year	6,200,073	2,853,202	6,229,221	15,282,496	(4,325,945)	10,956,551
Net assets, end of year	$ 6,018,210	$ 3,282,368	$ 6,325,637	$ 15,626,215	$ (4,093,668)	$ 11,532,547

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, 2015, the Foundation distributed approximately $915,277 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 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
In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68), which improves accounting and financial reporting by state and local governments for pensions. This statement also supersedes GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as GASB Statement No. 50, Pension Disclosures. GASB 68 is effective for fiscal years beginning after June 15, 2014. The College has implemented this pronouncement during the 2015 fiscal year. Implementation of this pronouncement has required a restatement of the prior year net position to reflect the net pension liability and the impact to net position.

The Governmental Accounting Standards Board (GASB) issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, effective for the year ended June 30, 2015. This statement addresses an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The effect of Statement No. 71 to the College is to require the deferral (Deferred Outflows) of pension contributions made subsequent to the measurement date and is addressed in Note 6 to the financial statements.

Cumulative effect of change in accounting principle
The college recorded a reduction to the beginning net position balance as a result of implementing GASB Statement No. 68. The net position has been restated as follows:

Net Position as previously reported at June 30, 2014	$179,972,764
Prior period adjustment:	
Net Pension Liability	($9,925,356)
Deferred Outflows	$891,326
Cumulative Effect of Change in Accounting Principle	($9,034,030)
Net Position, as restated, July 1, 2014	$170,938,734

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.

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 market 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.

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 are generally 3 to 7 years for equipment; 15 to 50 years for buildings and 20 to 50 years for infrastructure and land improvements.

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, 2015, no assets had been written down.

Unearned Revenues
Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year. The College has recorded summer 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 Pension Liability
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of Washington Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) and additions to/deductions from PERS's and TRS's fiduciary net position have been determined on the same basis as they are reported by PERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reports at fair value.

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

Net Position
The College's net position is classified as follows.

- *Net Investment in Capital Assets*. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- *Restricted for Nonexpendable*. This consists of endowment and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to the 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 and Expenses
The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues. These are grants that primarily support the operational/educational activities of the colleges. 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. Examples include a contract with OSPI to offer Running Start. The college also receives Adult Basic Education grants that support the primary educational mission of the college.

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

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

Non-operating Expenses. Non-operating expenses include state remittance related to the building fee and the innovation fee, along with interest incurred on the Certificate of Participation Loan.

Scholarship Discounts and Allowances
Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2015 are $5,407,625.

State Appropriations
The state of Washington appropriates funds to the College on both an annual and biennial basis. These revenues are reported as non-operating revenues on the Statements of Revenues, Expenses, and Changes in Net Position, and recognized as such when the related expenses are incurred.

Building and Innovation Fee Remittance
Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature is subject to change annually. The fee provides funding for capital construction and projects on a system wide basis using a competitive biennial allocation process. The Building Fee is remitted on the 35th day of each quarter. The Innovation Fee was established in order to fund the State Board of Community and Technical College's Strategic Technology Plan. The use of the fund is to implement new ERP software across the entire system. On a monthly basis, the College's remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to

SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the statement of revenues, expenses and changes in net position.

2. Cash and Investments

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

As of June 30, 2015, the carrying amount of the College's cash and equivalents was $21,281,002 as represented in the table below.

Cash and Cash Equivalents	**June 30, 2015**
Petty Cash and Change Funds	$17,304
Bank Demand and Time Deposits	$19,146,149
Investments with Original Maturity of 90 days or less	$2,117,549
Total Cash and Cash Equivalents	**$21,281,002**
Unrestricted Cash	**$20,801,255**
Cash Restricted for Deposits Payable	**$479,747**

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	$48,675,983	$ -	$9,146,576	$5,100,000	$34,429,407
Total Investments	**$48,675,983**	**$ -**	**$9,146,576**	**$5,100,000**	**$34,429,407**

Custodial Credit Risks—Deposits

Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The majority of the College's demand deposits are with the 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, 2015, $48,675,983 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	$ 48,675,983

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, 2015 were $5,476.

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, 2015, accounts receivable were as follows.

Accounts Receivable	Amount
Student Tuition and Fees	$ 932,009
Due from the Federal Government	960,537
Due from Other State Agencies	1,392,394
Due from Other Governments	3,055,790
Auxiliary Enterprises	356,860
Other	176,679
Subtotal	*$ 6,874,269*
Less Allowance for Uncollectible Accounts	$ (374,606)
Total Accounts Receivable and Due from State Treasurer	**$ 6,499,663**
Accounts Receivable, net	**$ 5,136,389**
Due from State Treasurer	**$ 1,363,274**

4. Inventories

Inventories, stated at cost, consisted of the following as of June 30, 2015.

Inventories	Amount
Consumable Inventories	$ 40,601
Merchandise Inventories	500,157
Raw Materials Inventories	46,346
Inventories	**$ 587,104**

5. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2015 is presented as follows. The current year depreciation expense was $4,616,041.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Nondepreciable capital assets				
Land	$ 1,038,679	$ -	$ -	$ 1,038,679
Construction in progress	18,706,687	38,608,579	(323,868)	56,991,398
Total nondepreciable capital assets	19,745,366	38,608,579	(323,868)	58,030,077
Depreciable capital assets				
Buildings	152,748,280	323,868	-	153,072,148
Other improvements and infrastructure	11,480,191	-	-	11,480,191
Equipment	8,511,069	974,790	(158,239)	9,327,620
Library resources	2,600,120	133,525	-	2,733,645
Subtotal depreciable capital assets	175,339,660	1,432,183	(158,239)	176,613,604
Less accumulated depreciation				
Buildings	26,616,465	3,080,885	-	29,697,350
Other improvements and infrastructure	4,356,225	500,587	-	4,856,812
Equipment	5,368,127	903,703	(219,280)	6,052,550
Library resources	2,083,177	130,866	-	2,214,043
Total accumulated depreciation	38,423,994	4,616,041	(219,280)	42,820,755
Total depreciable capital assets	136,915,666	(3,183,858)	61,041	133,792,849
Capital assets, net of accumulated depreciation	**$ 156,661,032**	**$ 35,424,721**	**$ (262,827)**	**$ 191,822,926**

6. Accounts Payable and Accrued Liabilities

At June 30, 2015, accounts payable and accrued liabilities consisted of the following.

Accounts Payable and Accrued Liabilities	**Amount**
Amounts Owed to Employees	$ 1,119,246
Accounts Payable	4,742,399
Amounts Held for Others and Retainage	550,224
Total	**$ 6,411,869**

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	$ 3,109,767
Housing and Other Deposits	536,611
Grants and Contracts	4,370,141
Total Unearned Revenue	**$ 8,016,519**

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, 2014 through June 30, 2015, were $192,950. Cash reserves for unemployment compensation for all employees at June 30, 2015, 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 $1,510,706, and accrued sick leave totaled $2,172,478 at June 30, 2015.

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.

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, 2015, the College held funds in the amount of $6,956,442 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.

In August of 2014, the college entered into a Certificate of Participation of $13,480,000 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. The interest rate charged is 2.75%.

11. Annual Debt Service Requirements

Future debt service requirements at June 30, 2015 are as follows.

Annual Debt Service Requirements			
	Certificates of Participation		
Fiscal year	**Principal**	**Interest**	**Total**
2016	2,250,686	1,758,209	4,008,895
2017	2,325,000	1,673,625	3,998,625
2018	2,295,000	1,573,725	3,868,725
2019	2,385,000	1,474,675	3,859,675
2020	2,495,000	1,371,675	3,866,675
2011-2025	14,255,000	5,101,381	19,356,381
2026-2030	13,905,000	1,561,375	15,466,375
Total	**39,910,686**	**14,514,665**	**54,425,351**

12. Schedule of Long Term Debt

	Balance outstanding 6/30/14	Additions	Reductions	Balance outstanding 6/30/15	Current portion
Certificates of Participation	$28,605,770	$13,480,000	$(2,175,084)	$ 39,910,686	$2,250,686
Compensated Absences	3,536,607	1,668,977	(1,522,400)	3,683,184	-
Net Pension Liability	9,925,356	799,415	(3,857,374)	6,867,397	-
Settlement Payable	320,800	-	-	320,800	-
Total	**$42,388,533**	**$ 15,948,392**	**$ (7,554,858)**	**$ 50,782,067**	**$2,250,686**

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 FY2015, the payroll for the College's employees was $9,505,819 for PERS, $483,263 for TRS, and $25,149,568 for SBRP. Total covered payroll was $35,138,650.

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

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

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for Green River Community College, for fiscal year 2014:

Aggregate Pension Amounts - All Plans

Pension liabilities	$ (6,867,397)
Deferred outflows of resources related to pensions	$ 932,971
Deferred inflows of resources related to pensions	$ (2,939,739)
Pension expense/expenditures	$ 739,965

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 1 or 2.

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

Funding Policy. Each biennium, the state Pension Funding Council adopts PERS and TRS Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for PERS and TRS Plans 1 are established by statute. 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, 2015, 2014, and 2013 are as follows.

Contribution Rates at June 30

	FY 2013		**FY 2014**		**FY 2015**	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	6.00%	7.21%	6.00%	9.21%	6.00%	9.21%
Plan 2	4.64%	7.21%	4.92%	9.21%	4.92%	9.21%
Plan 3	5 - 15%	7.21%	5 - 15%	9.21%	5 - 15%	9.21%
TRS						
Plan 1	6.00%	8.05%	6.00%	10.39%	6.00%	10.39%
Plan 2	4.69%	8.05%	4.69%	10.39%	4.96%	10.39%
Plan 3	5-15%	8.05%	5-15%	10.39%	5-15%	10.39%

Required Contributions						
	FY2013		FY2014		FY2015	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	$20,996	$25,230	$21,023	$32,270	$20,658	$31,709
Plan 2	$281,684	$437,703	$302,606	$566,464	$304,143	$569,341
Plan 3	$128,435	$185,203	$141,444	$260,540	$148,988	$274,436
TRS						
Plan 1	$2,325	$3,120	$4,679	$8,102	$923	$1,599
Plan 3	$19,641	$31,622	$26,397	$54,853	$23,394	$48,612

Investments
The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB adopted investment policies for the various asset classes in which the WSIB invests.

For the year ended June 30, 2014, the annual money-weighted rate of return on the pension investments, net of pension plan expenses are as follows:

Pension Plan	Rate of Return
PERS Plan 1	16.98%
PERS Plan 2/3	17.06%
TRS Plan 1	16.97%
TRS Plan 2/3	17.07%

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

The PERS and TRS target asset allocation and long-term expected real rate of return as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	**100%**	

The inflation component used to create the above table is 2.70 percent and represents WSIB's most recent long-term estimate of broad economic inflation.

Pension Expense

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

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
Actuarially determined pension expense	$236,541	$332,141	$17,794	$30,809	$617,285
Amortization of change in proportionate liability	($18,698)	($7,610)	$141,784	$7,205	$122,680
Total Pension Expense	**$217,843**	**$324,531**	**$159,578**	**$38,014**	**$739,965**
Deferred Outflows (FY 2015 contributions)	($395,719)	($454,595)	($21,851)	($27,665)	($899,830)
Total Adjustment to Benefit Expense	**($177,876)**	**($130,064)**	**$137,727**	**$10,348**	**($159,865)**

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. State contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

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

Deferred inflows on pensions are recorded when projected earnings on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual earnings of pension plan investments		$ 2,939,739
Changes in College's proportionate share of pension liabilities	$ 33,141	
Contributions to pension plans after measurement date	$ 899,830	
	$ 932,971	**$ 2,939,739**

The $899,830 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2016.

Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	2016	$727,730
	2017	$727,730
	2018	$727,730
	2019	$727,730
	2020	($4,323)
	Total	$2,906,598

Changes in Proportionate Shares of Pension Liabilities

The changes to the College's proportionate share of pension liabilities from 2013 to 2014 for each retirement plan are listed below:

	2013	2014
PERS 1	0.086932%	0.086612%
PER 2/3	0.103203%	0.104201%
TRS 1	0.009158%	0.013172%
TRS 2/3	0.010526%	0.014205%

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

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2013 with the results rolled forward to the June 30, 2014 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

Sensitivity of the net pension liability to changes in the discount rate

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

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

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

Pension Plan	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS Plan 1	$ 5,377,973	$ 4,363,120	$ 3,491,969
PERS Plan 2/3	$ 8,633,972	$ 2,069,894	($2,943,839)
TRS Plan 1	$ 499,950	$ 388,502	$ 292,839
TRS Plan 2/3	$ 398,796	$ 45,880	($ 216,441)

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, 2015 were each $2,115,677.

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2015, supplemental benefits were paid by the SBCTC on behalf of the system as a total in the amount of $583,625. 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 $125,700. As of June 30, 2015, the Community and Technical College system accounted for $7,729,471 of the fund balance.

Washington State Deferred Compensation Program

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

Other Post-Employment Benefits

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

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

The actuary allocated the statewide disclosure information to the community and technical college system level. The SBCTC further allocated these amounts among the colleges. The College's share of the GASB 45 actuarially accrued liability (AAL) is $23,658,336, with an annual required contribution (ARC) of $2,311,731. The ARC represents the amortization of the liability for FY 2015 plus the current expense for active employees, which is reduced by the current contributions of approximately $290,638. The College's net OPEB obligation at June 30, 2015 was approximately $3,425,364. This amount is not included in the College's financial statements.

The College paid $5,180,295 for healthcare expenses in 2015, 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, 2015.

Expenses by Functional Classification	
Instruction	$ 32,898,748
Academic Support Services	7,292,647
Student Services	7,821,179
Institutional Support	11,551,201
Operations and Maintenance of Plant	7,460,019
Scholarships and Other Student Financial Aid	9,793,166
Auxiliary enterprises	6,180,709
Depreciation	4,616,041
Total operating expenses	**$ 87,613,710**

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 $23,248,207 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings.

16. Subsequent Events

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.