

**BUTTE-GLENN
COMMUNITY COLLEGE DISTRICT**

OROVILLE, CALIFORNIA

AUDIT REPORT

**FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016**



**COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT**
CERTIFIED PUBLIC ACCOUNTANTS

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
TABLE OF CONTENTS
JUNE 30, 2017 AND 2016

| | |
|--------------------------------------|---|
| Independent Auditors' Report | 1 |
| Management's Discussion and Analysis | 4 |

FINANCIAL SECTION

Basic Financial Statements:

| | |
|---|----|
| Statements of Net Position | 13 |
| Statements of Revenues, Expenses, and Changes in Net Position | 14 |
| Statements of Cash Flows | 15 |
| Statements of Net Assets - Component Unit - Foundation | 17 |
| Statements of Activities - Components Unit - Foundation | 18 |
| Statements of Cash Flows - Component Unit - Foundation | 19 |
| Statements of Net Position - Fiduciary Funds | 20 |
| Statements of Changes in Net Position - Fiduciary Funds | 21 |
| Notes to Financial Statements | 22 |

REQUIRED SUPPLEMENTARY INFORMATION

| | |
|---|----|
| Schedule of Funding Progress for Other Post-Employment Benefits | 61 |
| Schedule of Proportionate Share of the Net Pension Liability | 62 |
| Schedule of Contributions | 63 |

SUPPLEMENTARY INFORMATION

| | |
|--|----|
| District Organizational Structure | 64 |
| Schedule of Expenditures of Federal Awards | 65 |
| Schedule of Revenues and Expenditures of State Awards | 66 |
| Schedule of Workload Measures for State General Apportionment - Annual/Actual Attendance | 67 |
| Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements | 68 |
| Reconciliation of the ECS 84362 (50 Percent Law) Calculation | 69 |
| Details of the Education Protection Account | 70 |
| Combining Balance Sheet | 71 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Equity | 73 |
| Reconciliation of Fund Equity to Net Position | 75 |
| Reconciliation of Change in Fund Equity to Change in Net Position | 76 |
| Note to Supplementary Information | 77 |

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
TABLE OF CONTENTS
JUNE 30, 2017 AND 2016

OTHER INDEPENDENT AUDITORS' REPORTS

| | |
|---|----|
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 79 |
| Independent Auditors' Report on Compliance For Each Major Federal Program; and Report on Internal Control over Compliance Required by the Uniform Guidance | 81 |
| Independent Auditors' Report on State Compliance | 83 |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

| | |
|---|----|
| Schedule of Audit Findings and Questioned Costs | 85 |
| Summary Schedule of Prior Year Audit Findings | 89 |



INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Butte-Glenn Community College District
Oroville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Butte-Glenn Community College District, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Butte-Glenn Community College District's basic financial statements as listed in the table of contents.

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 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.

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 entity'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 entity'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Butte-Glenn Community College District, as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 12, and the schedule of funding progress for other post-employment benefits, schedule of proportionate share of the net pension liability, and the schedule of contributions on pages 61-63 be presented to supplement the basic financial statements. Such information, although not 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 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Butte-Glenn Community College District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017 on our consideration of the Butte-Glenn Community College District’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 Butte-Glenn Community College District’s internal control over financial reporting and compliance.

CWDL, Certified Public Accountants

San Diego, California
December 7, 2017

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

The California Community College system is comprised of 72 districts, 113 colleges. The Butte-Glenn Community College District (the "District") is located an hour and 10 minutes north of Sacramento on a 928 acre wildlife refuge and is a leader in sustainability efforts. The District serves students in both Butte and Glenn counties and consists of one community college located in Oroville, California, a state approved center located in Chico, California, and satellite campuses throughout the bi-county area. The District serves approximately 11,000 full and part-time, credit and non-credit students per semester.

The following discussion and analysis provides an overview of the financial position and activities of the Butte-Glenn Community College District for the years ended June 30, 2017 and 2016. Please read it in conjunction with the financial statements and notes thereto which follow this section. Responsibility for the completeness and accuracy of this information rests with the District's management.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District follows the reporting standards of Governmental Accounting Standards Board (GASB) Statement No. 34, as amended by GASB Statement No. 35. Rather than issuing fund-type financial statements, the District has adopted the Business Type Activity (BTA) model. This model requires the following components be included in the District's financial statements:

- Management's Discussion and Analysis
- Basic financial statements including Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows
- Notes to Financial Statements

Additionally, fund balance is referred to as Net Position, and the Statements of Cash Flows are presented using the direct method.

The basic financial statements are designed to provide readers with a broad overview of the District's finances using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the District's activities.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

The Statements of Net Position present the assets, liabilities, and net position of the District for the fiscal years ended June 30, 2017 and 2016 and are prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private sector organizations. The difference between total assets and total liabilities (net position) is one indicator of the current financial condition of the District, and a way to measure the financial health of the District.

The net position is divided into three major categories. The first category, Net Investment in Capital Assets, represents the equity amount in property, plant, and equipment owned by the District. The second category is Restricted Net Position. This net position is available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. Restrictions can also be enforced through agreements, laws, regulations of creditors, other governmental agencies, imposed bylaws through constitutional provisions, or enabling legislation. The final category is Unrestricted Net Position that is available to the District for any lawful purpose. Although unrestricted, the District's Governing Board may place internal restrictions on this category of net position, but it retains the power to change, remove, or modify such restrictions.

The Statements of Revenues, Expenses, and Changes in Net Position represent the operating results of the District. The purpose of the statements is to present the revenues received by the District, both operating and non-operating, the expenses paid by the District, operating and non-operating, and any other revenues, expenses, gains, and losses. Thus, these statements present the District's results of operations.

Changes in total net position are based on the activities presented in the Statements of Revenues, Expenses, and Changes in Net Position.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Non-operating revenues are those received or pledged for which goods and services are not provided. For example, state appropriations are non-operating revenues because they are provided by the State Legislature to the District without the Legislature directly receiving commensurate goods and services for the revenues.

The Statements of Cash Flows provide information about cash receipts and cash payments, sources of cash, and major uses during the fiscal year. These statements also help users assess the District's ability to generate positive cash flows, meet obligations as they become due and evaluate the need for external financing.

The Statements of Cash Flows are divided into five parts. The first part reflects operating cash flows and shows the net cash provided by the operating activities of the District. The second part details cash received for non-operating, non-investing, and non-capital activities of the institution. The third section deals with the cash used for the acquisition and construction of capital and related financing activities. The fourth part provides information from investing activities. This section reflects the cash received and spent for short-term investments and any interest paid or received on those investments. The final section reconciles the net cash from operating activities to the operating loss reflected on the Statements of Revenues, Expenses, and Changes in Net Position. The net cash reconciliation is shown in the expanded version of the Statements of Cash Flows in the financial statements.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

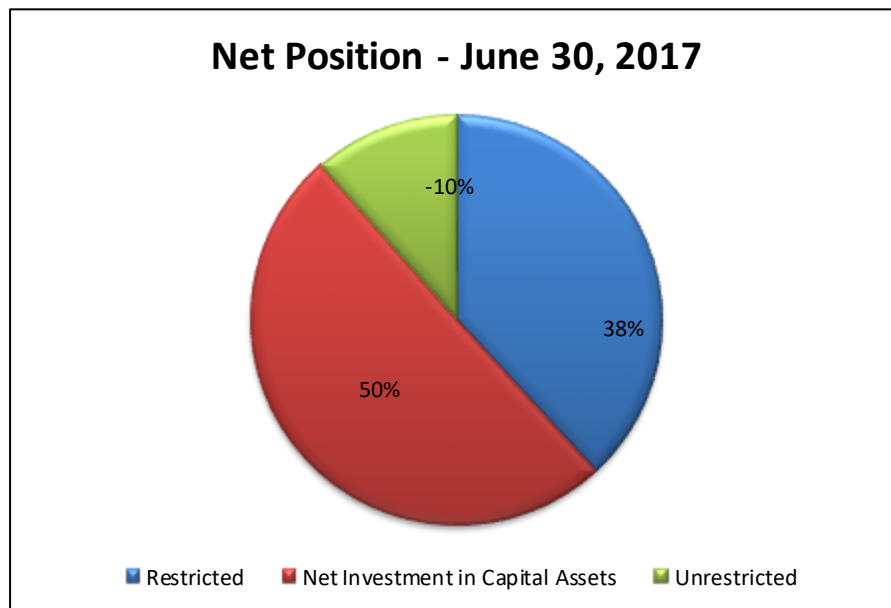
OVERVIEW OF THE FINANCIAL STATEMENTS, continued

The Statements of Net Position as of June 30, 2017 and 2016 are summarized below:

| | 2017 | 2016 | Change |
|--|-----------------------|-----------------------|---------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| Total assets | \$ 346,670,786 | \$ 288,668,001 | \$ 58,002,785 |
| Deferred outflow of resources | 14,265,384 | 6,986,674 | 7,278,710 |
| Total Assets and Deferred Outflows of Resources | 360,936,170 | 295,654,675 | 65,281,495 |
| LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | | | |
| Current liabilities | 46,983,718 | 35,177,780 | 11,805,938 |
| Non-current liabilities | 190,545,032 | 139,785,572 | 50,759,460 |
| Deferred inflows of resources | 6,195,134 | 6,921,778 | (726,644) |
| Total Liabilities and Deferred Inflows of Resources | 243,723,884 | 181,885,130 | 61,838,754 |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | 76,991,232 | 110,304,582 | (33,313,350) |
| Restricted | 58,242,082 | 10,363,552 | 47,878,530 |
| Unrestricted | (18,021,028) | (6,898,589) | (11,122,439) |
| Total Net Position | \$ 117,212,286 | \$ 113,769,545 | \$ 3,442,741 |

The District's total assets and deferred outflows of resources increased \$65.28 million or 22 percent from the previous year. The majority of the increase was due to the issuance of 2016 Series A General Obligation Bonds and the recognition of deferred outflows from the GASB pension standards.

Total liabilities and deferred inflows of resources increased \$61.84 million or 34 percent. This is related mainly to the 2016 Series A General Obligation Bonds and increases in the net pension liability and deferred inflows of resources related to pensions. Net Position is reflected by major category below:



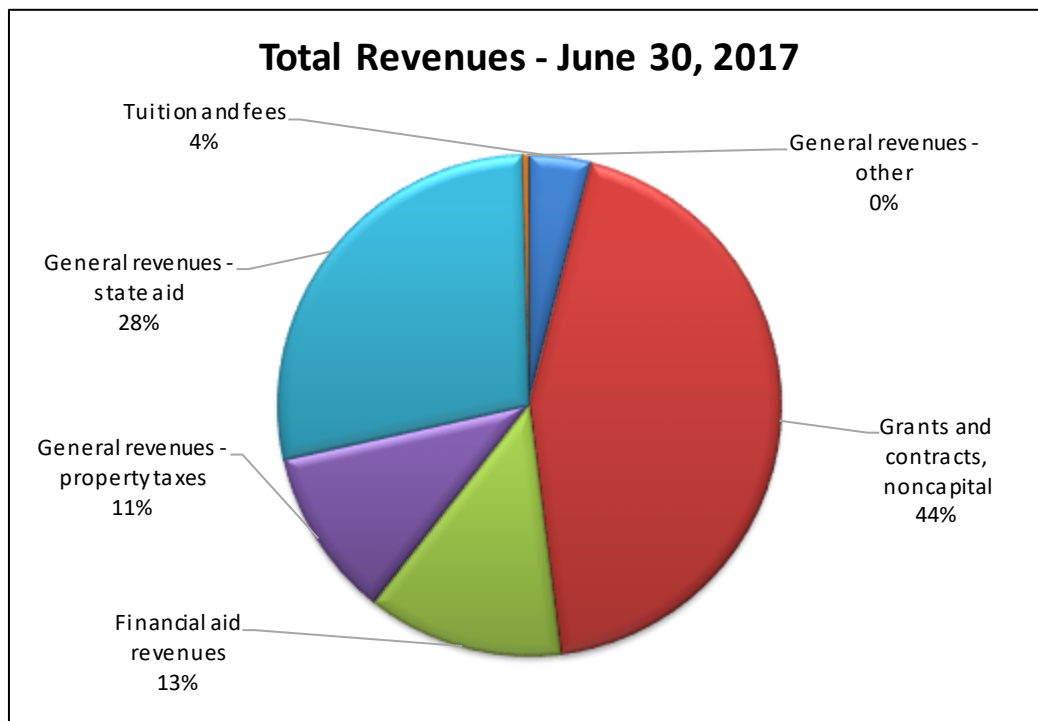
**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

The Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2017 and 2016 are summarized below:

| | 2017 | 2016 | Change |
|--|---------------------|----------------------|-----------------------|
| REVENUES | | | |
| Tuition and fees | \$ 7,861,876 | \$ 6,293,786 | \$ 1,568,090 |
| Grants and contracts, noncapital | 85,409,309 | 79,116,744 | 6,292,565 |
| Financial aid revenues | 24,535,868 | 25,403,239 | (867,371) |
| General revenues - property taxes | 21,218,056 | 16,938,450 | 4,279,606 |
| General revenues - state aid | 54,488,481 | 43,763,447 | 10,725,034 |
| General revenues - other | 730,537 | 5,203,271 | (4,472,734) |
| Total Revenues | 194,244,127 | 176,718,937 | 17,525,190 |
| EXPENSES | | | |
| Operating expenses | 159,824,502 | 136,570,368 | 23,254,134 |
| Financial aid disbursement to students | 27,417,420 | 25,403,239 | 2,014,181 |
| Interest | 3,559,464 | 4,181,945 | (622,481) |
| Total Expenses | 190,801,386 | 166,155,552 | 24,645,834 |
| Change in Net Position | \$ 3,442,741 | \$ 10,563,385 | \$ (7,120,644) |

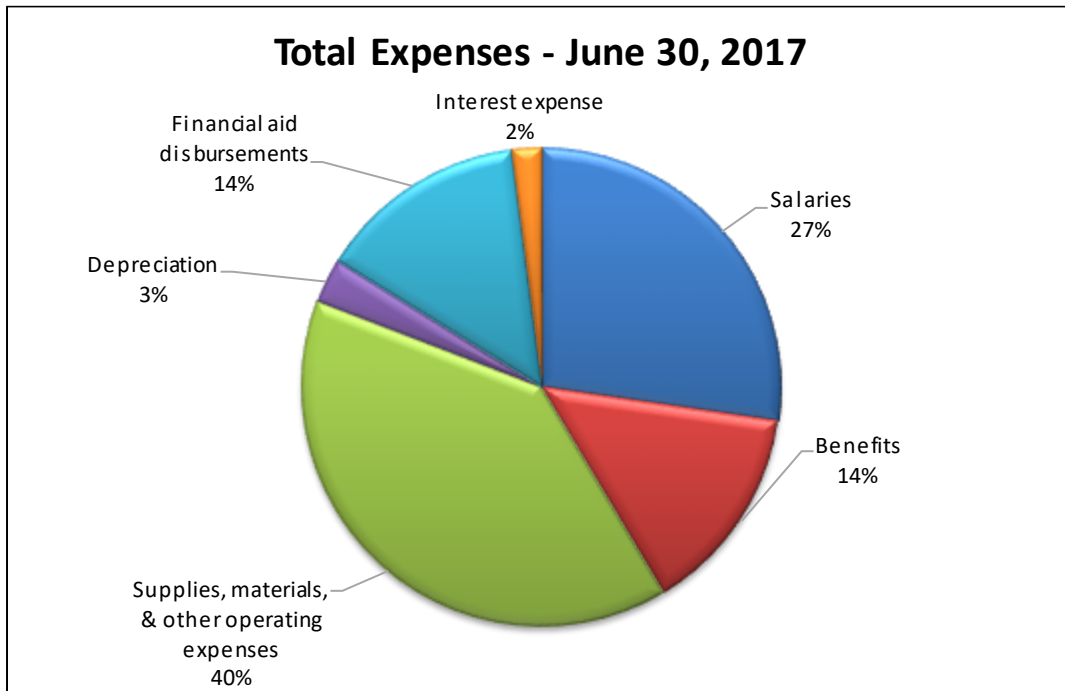
Operating and nonoperating revenues are reflected below:



**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

Operating and nonoperating expenses are reflected below:



District Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are reported separately in the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. Net position of fiduciary activities is excluded from the District's net position because the District cannot use fiduciary assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Capital Assets

As of June 30, 2017, the District had approximately \$261.6 million invested in capital assets prior to accumulated depreciation. Capital assets consist of land and site improvements, buildings and improvements, construction in progress, equipment and vehicles that met the capitalization threshold recommended by GASB Statement No. 35. These assets have accumulated depreciation of \$70.6 million, leaving a net capital asset amount of \$191 million.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

Capital Assets, continued

Note 5 to the financial statements provides detailed information on capital assets. A summary of capital assets net of accumulated depreciation and changes therein is presented below:

| | 2017 | 2016 | Change |
|--------------------------------------|-----------------------|-----------------------|---------------------|
| Capital Assets not being depreciated | \$ 9,817,695 | \$ 8,294,456 | \$ 1,523,239 |
| Capital Assets being depreciated | 251,733,134 | 246,667,123 | 5,066,011 |
| Accumulated depreciation | (70,566,334) | (65,034,663) | (5,531,671) |
| Total Capital Assets | \$ 190,984,495 | \$ 189,926,916 | \$ 1,057,579 |

Long-Term liabilities

As of June 30, 2017, the District had approximately \$117.9 million in bonded debt, \$8.5 million in capital leases, and total long-term liabilities of \$129.9 million. This was an increase of \$42.0 million from the prior year.

Note 6 to the financial statements provides detailed information on long-term liabilities. A summary of long-term liabilities and changes therein is presented below:

| | 2017 | 2016 | Change |
|--------------------------------------|-----------------------|----------------------|----------------------|
| General obligation and revenue bonds | \$ 117,876,580 | \$ 66,653,626 | \$ 51,222,954 |
| Capital leases | 8,493,089 | 9,272,333 | (779,244) |
| Other long-term liabilities | 3,553,981 | 11,948,006 | (8,394,025) |
| Total Long-term Liabilities | \$ 129,923,650 | \$ 87,873,965 | \$ 42,049,685 |

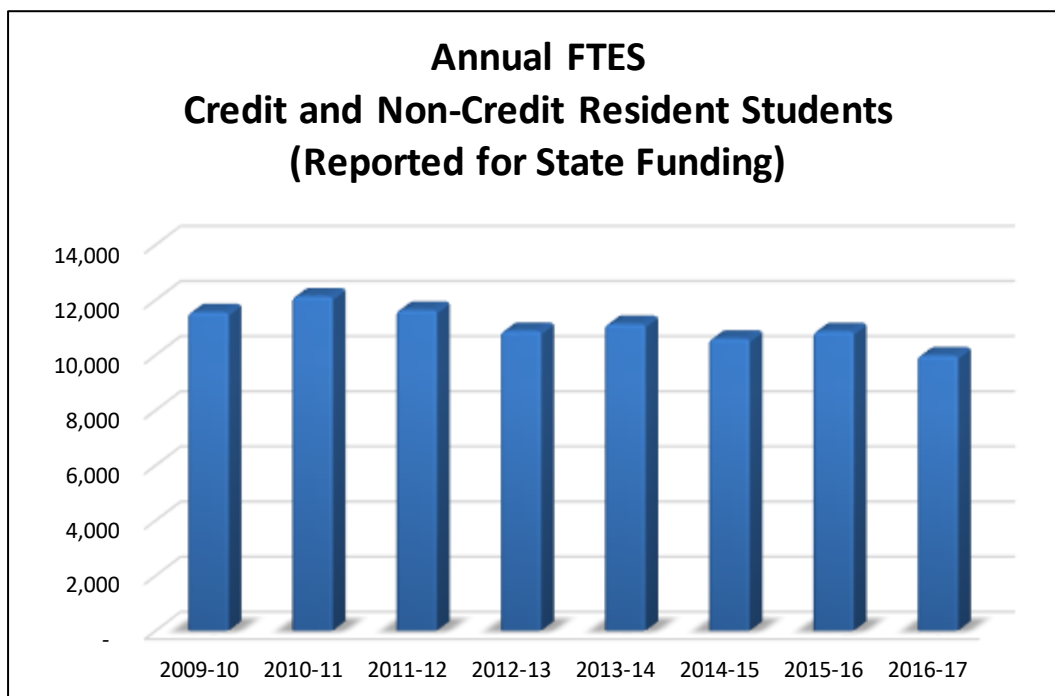
**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

FINANCIAL HIGHLIGHTS

Total net position was \$123.4 million at June 30, 2017. This was an increase of \$9.6 million or 8.4 percent over the prior year.

HISTORICAL FULL TIME EQUIVALENT STUDENTS (FTES) TRENDS

In 2017 and 2016, the District reported 9,987 and 10,865, credit and non-credit resident FTES, respectively. See the below chart for a historical perspective on the changes in FTES over the past 8 fiscal years.



ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

On June 27, 2017, the Governor signed into law the State budget for fiscal year 2017-18. The 2017-18 Budget projects total general fund revenues of \$125.9 billion, reflecting a 6% increase over the prior year and driven primarily by a projected 5% increase in personal income, sales and use tax collections. The 2017-18 Budget authorizes expenditures of \$125.1 billion. The State is projected to end the 2017-18 fiscal year with total available reserves of \$9.9 billion.

The 2017-18 Budget sets the Proposition 98 minimum funding guarantee for K-14 at \$74.5 billion, reflecting an increase of \$3.1 billion (or 4.4%) from the revised prior-year level. With respect to community college education, the 2017-18 Budget sets Proposition 98 funding at \$8.6 billion, including \$5.7 billion from the State general fund, reflecting an increase of \$324 million (or 3.9%) from the prior year. Per full-time equivalent student (FTES) spending increases \$363 (or 4.3%) to \$7,416.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE, continued

Other significant features with respect to community college education funding for 2017-18 include the following:

- *Enrollment; Apportionments* – An increase of \$58 million in Proposition 98 funding to base allocations to support a 1% growth in enrollment system-wide. The 2017-18 Budget also provides \$98 million to fund a 1.56% COLA to apportionments, \$5 million to fund a 1.56% COLA to selected categorical programs, and \$1 million to fund a COLA for financial aid administration. In addition to these base increases, the 2017-18 Budget provides \$184 million that community college districts may use to fund any educational or operational purpose, including hiring additional faculty, paying retirement costs, professional development and facility maintenance.
- *Student Success* – An increase of \$150 million in one-time funding for a “Guided Pathway” initiative focused on assisting community college districts to (i) integrate existing student success programs and services, (ii) build internal capacity for data analysis, leadership, planning and program implementation, and (iii) develop structured academic courses for incoming students.
- *Financial Aid* – An increase of \$25 million in Proposition 98 funding to increase the maximum annual Full Time Student Success Grant. This grant was created in fiscal year 2015-16 and provides additional aid to community college students who carry 12 or more credits per term and qualify for Cal Grant B and Cal Grant C awards. The 2017-18 Budget also provides \$25 million for a Community College Completion Grant, which would provide an additional \$2,000 annually for grant recipients that develop a comprehensive education plan and carry 15 or more units per term. Lastly, the 2017-18 Budget includes \$1.7 million to double the Cal Grant C book and supply award.
- *Innovation Awards* – \$20 million in one-time Proposition 98 funding for awards to community college districts that develop innovations that both address specified groups of underrepresented students and use technology to improve instruction and support services.
- *On-line Education* – An increase of \$10 million in Proposition 98 funding, for total ongoing funding of \$20 million, to provide system-wide access to the California Online Education Initiative, a grant-funded collaborative effort among community colleges to increase access to and success in high-quality online courses.
- *Library Systems* – An increase of \$6 million in one-time Proposition 98 funding to the California Community College Technology Center, a grant funded project that coordinates statewide technology projects. The funding is intended to assist in the procurement and operational of an integrated library system for California community college students.
- *Deferred Maintenance and Instructional Equipment* – An increase of \$77 million in one-time Proposition 98 funding for deferred facility maintenance, special repairs, hazardous substance abatement, architectural barrier removal, or specified water conservation projects. Funds will be allocated based on full time equivalent student enrollment.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE, continued

- *Proposition 51* – The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative approved at the November 8, 2016 election and which authorizes the sale and issuance of \$9 billion in general obligation bonds for the new construction and modernization of K-14 facilities. The 2017-18 Budget allocates \$17 million of such bond funds for initial design activities at 15 community college districts.

On November 8, 2016, electors of the District approved issuing \$190 million of General Obligation Bonds for the purpose of constructing and upgrading buildings, infrastructure and classrooms for instructional and student service programs. The debt service for these bonds will not come from the District' general fund, but will be paid for by taxes levied on assessed values of properties in Butte and Glenn counties.

In April, 2017, the District issued the first series of bonds, totaling \$42 million. One of the bond projects tied to this first issuance is the construction of a new \$23 million welding facility that will double the capacity of the program and allow the necessary space to meet the needs of local manufacturers.

The District provides other postemployment benefits (OPEB) to its retirees, and according to the 2015 actuary study, \$36.2 million is required to be accumulated to fund this liability. In March 2010, the District joined the California Employers' Retiree Benefit Trust (CERBT) to establish an irrevocable trust for its other postemployment benefits. The account balance in the trust as of June 30, 2017, was \$18.9 million. In addition to the CERBT, the District has set aside another \$11.4 million in a retiree benefits fund with the county treasurer. These funds are not in an irrevocable trust but have been earmarked for OPEB. The board of trustees has authorized \$2 million in annual payments from the retiree benefits fund to the CERBT until the actuarial liability is fully funded. It is anticipated that the OPEB obligation will be fully funded by fiscal year 2020-21.

Future Budgets and Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. The District feels confident that it has the fiscal strength and reserves to be able to absorb future adjustments to state apportionment funding due to fluctuations in enrollment and fixed cost increases. Prudent fiscal management practices will remain in place to ensure the District has adequate reserves to sustain operations and benefit students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, you may contact the Director of Business Services, at Butte-Glenn Community College District, 3536 Butte Campus Drive, Oroville, CA 95965.

FINANCIAL SECTION

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 104,966,699 | \$ 54,197,953 |
| Accounts receivable, net | 36,062,567 | 25,905,185 |
| Inventory | 299,418 | 349,492 |
| Due from fiduciary funds, net | 16,121 | 138,966 |
| Prepaid expenditures and other assets | 172,081 | 4,758,947 |
| Total Current Assets | <u>141,516,886</u> | <u>85,350,543</u> |
| Noncurrent Assets: | | |
| Net OPEB asset | 14,090,887 | 13,390,542 |
| Capital assets, net | 191,063,013 | 189,926,916 |
| Total Noncurrent Assets | <u>205,153,900</u> | <u>203,317,458</u> |
| TOTAL ASSETS | <u>346,670,786</u> | <u>288,668,001</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred loss on refunding | 664,902 | 716,048 |
| Deferred outflows - pensions | 13,600,482 | 6,270,626 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 360,936,170</u> | <u>\$ 295,654,675</u> |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | \$ 12,665,152 | \$ 13,125,481 |
| Unearned revenue | 29,940,786 | 18,908,819 |
| Compensated absences, current portion | 1,323,749 | 1,551,406 |
| Long-term debt, current portion | 3,054,031 | 1,592,074 |
| Total Current Liabilities | <u>46,983,718</u> | <u>35,177,780</u> |
| Noncurrent Liabilities: | | |
| Compensated absences | 1,845,297 | 1,551,405 |
| Net pension liability | 64,999,162 | 55,055,087 |
| Long-term debt, non-current portion | 123,700,573 | 83,179,080 |
| Total Noncurrent Liabilities | <u>190,545,032</u> | <u>139,785,572</u> |
| TOTAL LIABILITIES | <u>237,528,750</u> | <u>174,963,352</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows - pensions | 6,195,134 | 6,921,778 |
| NET POSITION | | |
| Net investment in capital assets | 76,991,232 | 105,155,762 |
| Restricted for: | | |
| Debt service | 15,447,844 | 10,363,552 |
| Capital projects | 41,371,064 | 5,148,820 |
| Other special purposes | 1,423,174 | 568,954 |
| Unrestricted | <u>(18,021,028)</u> | <u>(7,467,543)</u> |
| TOTAL NET POSITION | <u>117,212,286</u> | <u>113,769,545</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 360,936,170</u> | <u>\$ 295,654,675</u> |

See accompanying notes to the financial statements.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

| | 2017 | 2016 |
|---|-----------------------|-----------------------|
| OPERATING REVENUES | | |
| Tuition and fees | \$ 14,855,972 | \$ 13,824,339 |
| Less: Scholarship discounts and allowances | (6,994,096) | (7,530,553) |
| Net tuition and fees | 7,861,876 | 6,293,786 |
| Grants and contracts, noncapital: | | |
| Federal | 1,889,839 | 1,722,061 |
| State | 76,909,230 | 70,350,670 |
| Local | 2,453,651 | 7,044,013 |
| Auxiliary enterprise sales and charges | 4,156,589 | 4,753,102 |
| TOTAL OPERATING REVENUES | 93,271,185 | 90,163,632 |
| OPERATING EXPENSES | | |
| Salaries | 51,834,740 | 53,045,560 |
| Employee benefits | 27,099,093 | 15,740,279 |
| Supplies, materials, and other operating expenses and services | 75,238,439 | 62,207,215 |
| Student aid | 27,417,420 | 25,403,239 |
| Depreciation | 5,652,230 | 5,577,314 |
| TOTAL OPERATING EXPENSES | 187,241,922 | 161,973,607 |
| OPERATING INCOME (LOSS) | (93,970,737) | (71,809,975) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| State apportionments, noncapital | 41,365,305 | 32,136,256 |
| Local property taxes | 15,543,821 | 11,571,452 |
| State taxes and other revenues | 10,538,173 | 11,627,191 |
| Federal student aid revenue | 24,535,868 | 25,403,239 |
| Investment income - noncapital | 666,308 | 386,754 |
| Interest expense on capital asset-related debt | (3,559,464) | (4,181,945) |
| Other non-operating revenues | 2,585,003 | - |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | 91,675,014 | 76,942,947 |
| INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES | (2,295,723) | 5,132,972 |
| State apportionments, capital | 64,229 | 63,415 |
| Local property taxes and revenues, capital | 5,674,235 | 5,366,998 |
| INCREASE (DECREASE) IN NET POSITION | 3,442,741 | 10,563,385 |
| NET POSITION -- BEGINNING OF YEAR | 113,769,545 | 103,206,160 |
| NET POSITION -- END OF YEAR | \$ 117,212,286 | \$ 113,769,545 |

See accompanying notes to the financial statements.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

| | 2017 | 2016 |
|---|-----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Tuition and fees | \$ 7,861,876 | \$ 6,786,158 |
| Grants and contracts | 82,127,305 | 58,859,070 |
| Payments to or on behalf of employees | (77,680,368) | (67,962,358) |
| Payments to vendors for supplies and services | (72,695,057) | (62,918,993) |
| Payments to students | (27,294,575) | (25,403,239) |
| Auxiliary enterprise sales and charges | 4,156,589 | 4,716,252 |
| Net Cash Used by Operating Activities | <u>(83,524,230)</u> | <u>(85,923,110)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| State apportionments | 41,365,305 | 32,136,256 |
| Property taxes | 15,543,821 | 11,579,394 |
| State taxes and other revenues | 10,538,173 | 12,033,453 |
| Financial aid revenues | 24,535,868 | 25,403,239 |
| Other nonoperating | 2,585,003 | 343,682 |
| Net Cash Provided by Non-capital Financing Activities | <u>94,568,170</u> | <u>81,496,024</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (6,788,327) | (6,489,141) |
| Local property tax, capital projects | 5,738,464 | (302,949) |
| Proceeds from issuance of capital debt | 46,167,582 | 5,515,744 |
| Principal paid on capital debt | (3,460,692) | (5,957,707) |
| Interest paid on capital debt | (2,598,529) | (2,988,036) |
| Net Cash Provided (Used) by Capital Financing Activities | <u>39,058,498</u> | <u>(10,222,089)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment income | 666,308 | 450,169 |
| Net Cash Provided by Investing Activities | <u>666,308</u> | <u>450,169</u> |
| NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS | 50,768,746 | (14,199,006) |
| CASH & CASH EQUIVALENTS, BEGINNING OF YEAR | <u>54,197,953</u> | <u>68,396,959</u> |
| CASH & CASH EQUIVALENTS, END OF YEAR | <u>\$ 104,966,699</u> | <u>\$ 54,197,953</u> |

See accompanying notes to the financial statements.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

| | <u>2017</u> | <u>2016</u> |
|--|------------------------|------------------------|
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES | | |
| Operating loss | \$ (93,970,737) | \$ (71,809,975) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | | |
| Depreciation expense | 5,652,230 | 5,577,314 |
| Changes in Assets and Liabilities: | | |
| Receivables, net | (10,034,537) | (218,435) |
| Inventory | 50,074 | 123,030 |
| Prepaid items | 4,586,866 | 35,541 |
| Net OPEB asset | (700,345) | (2,910,410) |
| Accounts payable and accrued liabilities | (2,093,558) | (4,506,186) |
| Deferred revenue | 11,031,967 | (8,072,688) |
| Pension related adjustments | 1,887,575 | (4,964,782) |
| Compensated absences | 66,235 | 823,481 |
| Total Adjustments | <u>10,446,507</u> | <u>(14,113,135)</u> |
| Net Cash Flows From Operating Activities | <u>\$ (83,524,230)</u> | <u>\$ (85,923,110)</u> |

See accompanying notes to the financial statements.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
 STATEMENTS OF NET POSITION – COMPONENT UNIT – FOUNDATION
 JUNE 30, 2017 AND 2016**

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 141,162 | \$ 244,088 |
| Investments - current | 835,271 | 894,892 |
| Other Assets | | |
| Investments - noncurrent | 2,902,317 | 2,675,848 |
| Contributions receivable | 76,352 | 75,000 |
| Assets held by others | 50,183 | 47,140 |
| Total Assets | <u>4,005,285</u> | <u>3,936,968</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | - | 1,973 |
| Amounts held for pass-through donors | 112,579 | 117,404 |
| Depository liability | 462,605 | 469,801 |
| Total Liabilities | <u>575,184</u> | <u>589,178</u> |
| NET ASSETS | | |
| Unrestricted | 491,886 | 54,099 |
| Temporarily restricted | 339,886 | 910,243 |
| Permanently restricted | 2,598,329 | 2,383,448 |
| Total Net Assets | <u>3,430,101</u> | <u>3,347,790</u> |
| Total Liabilities and Net Assets | <u>\$ 4,005,285</u> | <u>\$ 3,936,968</u> |

See accompanying notes to the financial statements.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
STATEMENTS OF ACTIVITIES – COMPONENT UNIT - FOUNDATION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | FY1617 Total | FY1516 Total |
|--|-------------------|---------------------------|---------------------------|---------------------|---------------------|
| SUPPORT AND REVENUES | | | | | |
| Contributions: | | | | | |
| Public support | \$ 102,610 | \$ 93,272 | \$ - | \$ 195,882 | \$ 515,645 |
| Value of services provided by Butte-Glenn Community College District | 246,473 | - | - | 246,473 | 228,431 |
| Endowment fund contributions | - | - | 214,881 | 214,881 | 47,409 |
| Special events revenue | - | 97,775 | - | 97,775 | 99,937 |
| Other revenues, gains, and support: | | | | | |
| Investment return - net of investment fees | 40,379 | 226,472 | - | 266,851 | 167,961 |
| Other revenues | 80,706 | 87,705 | - | 168,411 | 152,433 |
| Net assets released from restrictions | 476,084 | (476,084) | - | - | - |
| Total Support and Revenues after net assets released from restriction | 946,252 | 29,140 | 214,881 | 1,190,273 | 1,211,816 |
| OPERATING EXPENSES | | | | | |
| Program services: | | | | | |
| Scholarships | 352,949 | - | - | 352,949 | 472,617 |
| Programs and grants | 125,499 | - | - | 125,499 | 192,877 |
| Transfers to related party | 31,116 | - | - | 31,116 | |
| Supporting services: | | | | | |
| Management and general | 239,865 | 86,674 | - | 326,539 | 186,406 |
| Management and general in-kind | 246,473 | - | - | 246,473 | 228,431 |
| Special Events Expenses | - | 25,386 | - | 25,386 | 26,398 |
| Total Operating Expenses | 995,902 | 112,060 | - | 1,107,962 | 1,106,729 |
| CHANGE IN NET ASSETS | (49,650) | (82,920) | 214,881 | 82,311 | 105,087 |
| NET ASSETS, BEGINNING OF YEAR | 541,536 | 422,806 | 2,383,448 | 3,347,790 | 3,242,703 |
| NET ASSETS, END OF YEAR | \$ 491,886 | \$ 339,886 | \$ 2,598,329 | \$ 3,430,101 | \$ 3,347,790 |

See accompanying notes to the financial statements.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
 STATEMENTS OF CASH FLOWS – COMPONENT UNIT – FOUNDATION
 FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 82,311 | \$ 105,087 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Total investment return - net of investment fees | (266,851) | (167,961) |
| Changes in: | | |
| Assets held by others | (3,043) | 1,543 |
| Contributions receivable | (1,352) | - |
| Accounts payable | (1,973) | (10,411) |
| Amounts held for pass-through donors | (4,825) | 21,243 |
| Depository liability | (7,196) | (19,022) |
| Net Cash Used by Operating Activities | <u>(202,929)</u> | <u>(69,521)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (1,002,715) | (781,445) |
| Proceeds from the sale of investments | 1,102,718 | 1,002,774 |
| Net Cash Provided by Investing Activities | <u>100,003</u> | <u>221,329</u> |
| NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS | (102,926) | 151,808 |
| CASH & CASH EQUIVALENTS, BEGINNING OF YEAR | 244,088 | 92,280 |
| CASH & CASH EQUIVALENTS, END OF YEAR | <u>\$ 141,162</u> | <u>\$ 244,088</u> |

See accompanying notes to the financial statements.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
 STATEMENTS OF NET POSITION – FIDUCIARY FUNDS
 JUNE 30, 2017 AND 2016**

| | Associated Students | Student Representation Fee Trust | Scholarship and Loan Fund | Other Trust and Agency | Total |
|----------------------------------|------------------------|--|---------------------------------|------------------------------|-------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 291,829 | \$ 63,711 | \$ 48,616 | \$ 110,129 | \$ 514,285 |
| Accounts receivable, net | 974 | 185 | - | 1,006 | 2,165 |
| Total Assets | 292,803 | 63,896 | 48,616 | 111,135 | 516,450 |
| LIABILITIES | | | | | |
| Accounts payable | 200 | - | - | 53,178 | 53,378 |
| Due to other funds | 14,449 | 1,672 | - | - | 16,121 |
| Total Liabilities | 14,649 | 1,672 | - | 53,178 | 69,499 |
| NET POSITION | | | | | |
| Held in Trust for Student Groups | 278,154 | 62,224 | - | - | 340,378 |
| Unrestricted (deficit) | - | - | 48,616 | 57,957 | 106,573 |
| Total Net Position | \$ 278,154 | \$ 62,224 | \$ 48,616 | \$ 57,957 | \$ 446,951 |

See accompanying notes to the financial statements.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
 STATEMENTS OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
 FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

| | Associated Students | Student Representation Fee Trust | Scholarship and Loan Fund | Other Trust and Agency | Total |
|--------------------------------------|------------------------|--|---------------------------------|------------------------------|-------------------|
| OPERATING REVENUES: | | | | | |
| Local revenue | \$ 349,580 | \$ 41,848 | \$ - | \$ 34,643 | \$ 426,071 |
| Total Operating Revenues | 349,580 | 41,848 | - | 34,643 | 426,071 |
| OPERATING EXPENSES: | | | | | |
| Salaries | 164,047 | 2,199 | - | - | 166,246 |
| Employee benefits | 53,219 | 138 | - | - | 53,357 |
| Supplies, materials, and other outgo | 129,264 | 20,452 | - | 33,388 | 183,104 |
| Total Operating Expenses | 346,530 | 22,789 | - | 33,388 | 402,707 |
| Net Change in Net Position | 3,050 | 19,059 | - | 1,255 | 23,364 |
| NET POSITION: | | | | | |
| Beginning of Year | 275,104 | 43,165 | 48,616 | 56,702 | 423,587 |
| End of Year | \$ 278,154 | \$ 62,224 | \$ 48,616 | \$ 57,957 | \$ 446,951 |

See accompanying notes to the financial statements.

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – ORGANIZATION

The Butte-Glenn Community College District (the "District") is a political subdivision of the State of California and is governed by an elected seven-member Board of Trustees. The District provides educational services to the local residents of the surrounding area. The District consists of one community college located in Oroville, California, a state approved center located in Chico, California, and satellite campuses throughout the bi-county area.

Financial Reporting Entity

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles and GASB Statement No. 14 and Statement No. 39. The basic, but not the only criterion for including a potential component unit within the reporting entity is the Board of Trustees' ability to exercise oversight responsibility. A second criterion used in evaluating potential component units is the scope of public service. A third criterion used to evaluate potential component units is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

For financial reporting purposes, the District includes all funds, agencies, and authorities that are controlled by or are dependent on the District's executive and legislative branches. Control by or dependence on the District was determined on the basis of budget adoption, taxing, authority, outstanding debt secured by revenues or general obligations of the District, obligations of the District to finance any deficits that may occur, or receipt of significant subsidies from the District.

As a result, the financial statements of the District include the financial activities of the District and the combined totals of the trust and agency funds, which represent the various scholarships and student organizations within the District.

The District and the Butte Community College Foundation (the "Foundation") have financial and operational relationships that require analysis to determine whether the Foundation meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) for inclusion as a component unit of the District. After analysis, the Foundation was determined to have met these criteria. Accordingly, the financial activities of the Foundation have been included in the financial statements of the District. The separately audited financial statements of the Foundation may be obtained from the District.

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – ORGANIZATION, continued

Financial Reporting Entity, continued

The following are those aspects of the relationship between the District and the component unit that satisfies the GASB:

Scope of Public Service: The Foundation is a nonprofit, public benefit corporation incorporated under the laws of the State of California, and the Foundation was formed to promote and assist the educational services of the District.

Discrete Presentation: For financial presentation purposes, the financial activities of the Foundation have been discretely presented with the financial activities of the District.

Joint Powers Agencies and Public Entity Risk Pools

The District is associated with five joint powers agencies (JPAs). These organizations do not meet the criteria for inclusion as component units of the District. The JPAs are the Northern California Community Colleges Self-Insurance Authority (NCCCSIA), the Statewide Association of Community Colleges (SWACC), the Schools Association for Excess Risk (SAFER), the Protected Insurance Program for Schools (PIPS), and the Butte Schools Self-funded Program (BSSP). See Note 9 for more information.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. Accordingly, the District's financial statements have been presented 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. All significant intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place and amounts are available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year end.

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include state apportionments, property taxes, certain grants, entitlements, and donations. Revenue from state apportionments is generally recognized in the fiscal year in which it is apportioned from the state. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office.

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, now codified in the FASB Accounting Standards Codification, unless those pronouncements conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office Budget and Accounting Manual.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. The Business type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statements of Net Position
 - Statements of Revenues, Expenses, and Changes in Net Position
 - Statements of Cash Flows
- Notes to Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and all highly liquid investments with an original maturity of three months or less. Cash equivalents also include cash with county treasury balances.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair market value. Fair market value is estimated based on published market prices at year-end. Investments for which there are no quoted market prices are not material.

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounts Receivable - net

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursements of allowable expenditures made pursuant to the District's grants and contracts. The District utilizes the allowance method with respect to its accounts receivable. The allowance was \$3,598,955 and \$3,434,385 at June 30, 2017 and 2016, respectively.

Prepaid Expenditures

Prepaid expenditures or expenses represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

Inventory

Inventory, primarily bookstore merchandise, is carried at the lower of cost or market using the first-in, first-out (FIFO) method.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings and improvements, vehicles, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed. Routine repairs and maintenance that do not extend the life of the building or equipment are charged as operating expenses in the year the expense is incurred.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 20 to 65 years; equipment, 5 to 20 years; library books, 5 years; technology equipment, 5 years. Land and construction in progress are considered nondepreciable capital assets; therefore, no depreciation is computed.

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Deferred Insurance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. In accordance with GASB Statement No. 65, underwriters' discounts are expensed when incurred.

Deferred Loss on Refunding

The deferred loss on refunding is amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective-interest method. Amortization expense was \$51,146 for each of the fiscal years ended June 30, 2017 and 2016, and was reported as part of interest expense in the statement of revenues, expenses, and changes in net position in accordance with GASB Statement No. 65.

Deferred Revenue

Deferred revenue includes advances from grantors and advances from students. Advances from grantors include amounts received from grant and contract sponsors that have not yet been earned. Advances from students include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year that relate to the subsequent accounting period.

Compensated Absences

Compensated absence costs are accrued when earned by employees. Accumulated and vested unpaid employee vacation benefits and compensatory time are recognized as liabilities of the District as the benefits are earned. The District has a load banking program for eligible faculty employees whereby the employee may accrue overload service toward paid leave.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Long-Term Liabilities

Bond premiums and discounts are amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such, will not be recognized as an outflow of resources (expense/expenditures) until then. The District has two items that qualify for reporting in this category, which are the deferred loss on refunding and deferred pension contributions. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. The deferred pension activity will be recognized as pension expense in subsequent periods.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has reported deferred inflows related to pensions including differences between projected and actual earnings on plan investments, differences between expected and actual experience, and changes in assumptions.

Net Position

Net position represents the difference between total assets and deferred outflows of resources, less liabilities. The District's net position is classified as follows:

Net investment in Capital Assets – Represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position – Includes resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted Net Position – Represents resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources and then towards unrestricted resources.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Classification of Revenues

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

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as, (1) student tuition and fees, net of scholarship discounts and allowances, (2) internal service – self-insurance charges, (3) most federal, state, and local grants and contracts, and (4) interest on institutional student loans.

Nonoperating revenues – Activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues, such as: (1) state appropriations; (2) investment income; and (3) federal and state financial aid, scholarship, and loan trust receipts, according to GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*; and GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*.

Scholarship Discounts and Allowances

Scholarship Discounts and Allowances Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statements of revenues, expenses and changes in net position. The District offers Board of Governors’ Waivers (BOGW) to qualified students, and these tuition waivers are reported as scholarship discounts.

Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues (financial aid revenues) and nonoperating expenses in the District’s financial statements.

Risk Management

The District retains risk for liability and property damage on the first \$1,000 of each claim. The District retains no risk for liability or workers’ compensation claims, and coverage is provided by pooled insurance as a member of a joint powers authority.

Certain property damage coverage in excess of \$1,000,000 and up to \$250,000,000 and certain liability coverage in excess of \$1,000,000 and up to \$25,000,000 is provided by pooled insurance as a member of a joint powers authority of California community colleges and school districts.

Estimates Used in Financial Reporting

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements as well as revenues and expenses during the reporting period. Actual results could differ from those estimates. The District’s largest sources of revenues are enrollment fees, grants and contracts from federal, state and local agencies, state revenues and property taxes. Each of these revenue types is subject to some estimation at the date of the financial statements.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Budget and Budgetary Accounting

By state law, the District's governing board must approve a tentative budget no later than July 1 and adopt a final budget no later than September 15th of each year. A hearing must be conducted for public comments prior to adoption. The District's governing board satisfied these requirements.

The budget is revised during the year to incorporate categorical funds that are awarded during the year and miscellaneous changes to the spending plans. The District's governing board approves revisions to the budget.

State Apportionments

Certain current-year apportionments from the State are based on various financial and statistical information of the previous year as well as State budgets and other factors outside the District's control. In February, subsequent to the year end, the State performs a recalculation based on actual financial and statistical information for the year just completed. The District's policy is to estimate the recalculation correction to apportionment, if any, based on factors it can reasonably determine such as local property tax revenue received and reductions in full-time equivalent students (FTES). Any additional corrections determined by the State are recorded in the year computed by the State.

On-Behalf Payments

GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditure by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement Systems (STRS) on behalf of all Community Colleges in California. The amount of on-behalf payments made for the District is estimated at \$1,806,710 for STRS for the year ended June 30, 2017. This amount has been reflected in the basic financial statements as a component of non-operating revenue and employee benefit expense.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable in two installments on November 1st and February 1st and become delinquent if paid after December 10th and April 10th. Unsecured property taxes are payable in one installment on or before August 31st. The respective counties bill and collect the taxes for the District.

Property Taxes, continued

Secured property taxes are recorded as revenue when apportioned in the fiscal year of the levy. The counties apportion secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1st of each year.

Reclassifications

Certain reclassifications have been made to prior-year amounts to conform with current-year presentation.

Interfund Activity

Exchange transactions between funds of the District are reported as revenues and expenses within the statement of Revenues, Expenses, and Changes in Net Position. Flows of cash or goods from one fund to another without a requirement for repayment are recognized as interfund transfers within the District's fund financial statements. Amounts owing between funds for both exchange and non-exchange transactions are recorded as interfund receivables and payables within the District's fund financial statements. Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

New Accounting Pronouncements

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. The Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 73 for the year ended June 30, 2017.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria.

The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information will enhance the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan. The comparability of the reported information for similar types of OPEB plans will be improved by the changes related to the attribution method used to determine the total OPEB liability. The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison with actuarially determined rates, if such rates are determined. In addition, new information about rates of return on OPEB plan investments will inform financial report users about the effects of market conditions on the OPEB plan's assets over time and provide information for users to assess the relative success of the OPEB plan's investment strategy and the relative contribution that investment earnings provide to the OPEB plan's ability to pay benefits to plan members when they come due.

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The District has implemented GASB Statement No. 74 for the year ended June 30, 2017

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District has not yet determined the impact on the financial statements.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard's primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 80 for the year ended June 30, 2017.

DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION

The Foundation is an auxiliary organization of the District. The purpose of the Foundation is to accumulate funds to award scholarships and loans to assist students within Butte and Glenn counties while attending the District, and for designated projects. A substantial portion of the Foundation's revenue is from community donations.

Basis of Presentation and Accounting

These financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net position and transactions into three classes - unrestricted, temporarily restricted, or permanently restricted, as follows:

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time. When the time restriction stipulation ends or when funds are expended for intended purposes, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations requiring that they be maintained permanently by the Foundation.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets as net assets released from restriction.

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION, continued

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Foundation has been classified as an organization that is not a private foundation under Section 509(a)(2). The Foundation has not entered into any activities that would jeopardize its tax-exempt status. Accordingly, no provision for income taxes is required.

The Foundation files exempt organization returns in the U.S. federal and California jurisdictions. The federal returns for tax years 2009 and beyond, and the California returns for tax years 2008 and beyond, remain subject to examination by the taxing authorities.

The Foundation accounts for income taxes in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes, which clarifies the accounting for uncertainty in income taxes and how an uncertain tax position is recognized in financial statements. The Foundation analyzes tax positions taken in previously filed returns and tax positions expected to be taken in future returns. Based on this analysis, a liability is recorded if uncertain tax benefits have been received. The Foundation's practice is to recognize interest and penalties, if any, related to uncertain tax positions as tax expense. There were no uncertain tax positions identified or related interest and penalties recorded as of June 30, 2017, and the Foundation does not expect this to change significantly over the next 12 months.

Use of Estimates

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash in bank and short-term investments with a maturity, at date of purchase, of three months or less. At times, the account balances at a financial institution may exceed the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit; and as a result, there is a concentration of credit risk related to amounts in excess of FDIC insurance coverage. Cash and short-term investments held in a bank money market account are reported as investments instead of cash because the Foundation holds those funds as an endowment.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION, continued

Investments

The Foundation invests in bond and equity mutual funds and certificates of deposits. Investments are reported at fair value based on quoted market prices with realized and unrealized gains or losses reported in the statement of activities.

Accounts Receivable

The Foundation utilizes the allowance method of accounting for uncollectible accounts receivable. No allowance was necessary at June 30, 2017 and 2016, respectively. There was no bad debt expense at June 30, 2017 and 2016.

Assets Held by Others

Assets held by others represent amounts held by Community College League of California (the League) and the Foundation for California Community Colleges (FCCC) for the Foundation. The League facilitated two \$25,000 gift annuities for the Foundation. The \$3,192 recorded approximates the net present value the Foundation will receive at the end of the annuities term.

The Foundation transfers funds to FCCC in accordance with a partnership agreement dated March 2009 with the California Community Colleges Scholarship Endowment (the Endowment). The endowment began in May 2008 with an initial \$25 million gift from the Bernard Osher Foundation (Osher). Under the agreement, the California Community Colleges and FCCC had until June 2011 to raise \$50 million, for which Osher would provide a 50% match up to \$25 million. The Foundation estimates that it will receive an annual distribution of 5% to be used for scholarships in accordance with the agreement. The FCCC retains control over the distributions, and the Foundation has no control or access to the principal; therefore, the matching portion of the endowment is not recorded on the Foundation's financial statements. These funds are recorded as permanently restricted assets. At June 30, 2017 and 2016, the amount contributed to the FCCC and its investment earnings net of scholarship distributions totaled \$45,508 and \$42,376, respectively.

Depository Liabilities

The Foundation administers funds for the District and District sanctioned clubs as well as individuals and entities that desire to benefit the District. Depository liabilities represent the amount of these funds held.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION, continued

Fair Value Measurements

The Foundation accounts for certain assets and liabilities in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures. FASB ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurement.

The Foundation classifies its fair value assets and liabilities into a hierarchy of three levels based on the markets in which they are traded and the reliability of the assumptions used to determine fair value. The asset or liability measurement level within the hierarchy is based on the lowest level of any assumption that is significant to the measurement.

Valuations within the hierarchy levels are based upon the following:

Level 1 - Quoted market prices for identical instruments traded in active exchange markets.

Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 - Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Foundation's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management's judgment and estimation which may be significant.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the fiscal years ended June 30, 2017 and 2016.

Mutual Funds - Each investor in the mutual fund will typically receive units of participation in the mutual fund. These units are valued daily, based on the underlying securities owned by the mutual fund.

Pooled Income Fund - Each income beneficiary in the pooled income fund is assigned units based on the fair market value of the assets at the time they are transferred to the trustee. Shares in the fund are valued daily based on the underlying securities owned. The fund is primarily made up of fixed income funds and equity securities.

Annuities - Valued at contract value which included an adjustment for the time value of money, interest rate and future value.

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION, continued

Endowment Investment and Spending Policy

The Foundation's endowment consists of approximately 90 individual donor-restricted funds, the majority of which are established for scholarships, with approximately four established for other specified purposes benefiting the District. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted by the State of California, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies - The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return, over time, of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy - The Foundation has a policy of appropriating for distribution the amount of funds needed to finance current-year scholarship distributions. In establishing this policy, the Foundation considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 2% annually, which is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION, continued

Related Entity

The District provides office space and administrative services for the Foundation. Certain services are not reflected in these statements since they are not susceptible to an objective measurement or valuation. Services susceptible to measurement have been recorded and amounted to \$246,473 and \$228,431 for the fiscal years ended June 30, 2017 and 2016, respectively. These services relate to District employees whose time benefits the Foundation.

Contributions

The Foundation recognizes contributions from unconditional promises to give when such promises are made if the amounts can be reasonably determined. The contribution receivable of \$75,000 is a beneficial interest in an irrevocable family trust. The amount is estimated to be collected within ten years. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give that are to be received in future years are discounted at the Foundation's risk-free rate of return.

Donated Assets

Donated marketable securities and other noncash donations (gift annuities) are recorded as contributions at their estimated fair values at the date of donation.

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC Subtopic 958-605, Not-for-Profit Entities—Revenue Recognition, if the services: (a) create or enhance nonfinancial assets; or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Donated services are reflected in the financial statements as contributions in the accompanying statements at their estimated values at the date of the receipt. No amounts have been reflected in the statements for volunteer services as they do not meet the criteria for recognition. The Foundation pays for most services requiring specific expertise.

Scholarships

The Foundation recognizes unconditional scholarships awarded when such awards are made if the amounts can be reasonably determined. Conditional scholarships awarded are recognized when the conditions on which they depend are substantially met.

Reclassifications

Certain reclassifications have been made to prior-year amounts to conform with current-year presentation.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION, continued

Date of Management Evaluation

Management has evaluated subsequent events through December 7, 2017, the date on which the financial statements were available to be issued.

NOTE 3 – CASH AND CASH EQUIVALENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; medium term corporate notes; certificates of participation; obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with the County Treasurer (Education Code Section 41001). The fair market value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair market value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Primary Institution – Credit Risk

California Government Code, Section 53601, limits investments in commercial paper to "prime" quality of the highest ranking, or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. Individual securities must be backed by the federal government or rated AAA, AA, or A by Standard & Poor's or Aaa, Aa, or A by Moody's indices. The District's investment policy established safety of principal as of primary investment objective. The District's investments in the County investment pool is unrated.

Component Unit – Credit Risk

The Component Unit's investment policies allow for investment in equity securities and fixed income instruments. Any corporate obligations must be rated BBB or a better rating by Standard & Poor's or a similar rating agency. The Component Units' investments are rated at least BBB or better by Standard & Poor's as of June 30, 2017.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 3 – CASH AND CASH EQUIVALENTS, continued

General Authorizations, continued

Component Unit – Credit Risk, continued

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule below:

| Authorized Investment Type | Maximum Remaining Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|----------------------------------|---------------------------------------|--|
| Local Agency bonds, Notes, Warrants | 5 years | None | None |
| Registered State Bonds, Notes, Warrants | 5 years | None | None |
| U.S. Treasury Obligations | 5 years | None | None |
| U.S. Agency Securities | 5 years | None | None |
| Banker's Acceptance | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 40% | 10% |
| Negotiable Certificates of Deposit | 5 years | 40% | None |
| Repurchase Agreements | 1 year | None | None |
| Reverse Repurchase Agreements | 92 days | 20% of base | None |
| Medium-Term Corporate Notes | 5 years | 30% | None |
| Mutual Funds | N/A | 20% | 10% |
| Money Market Mutual Funds | N/A | 20% | 10% |
| Mortgage Pass-Through Securities | 5 years | 20% | None |
| County Pooled Investment Funds | N/A | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |
| Joint Powers Authority Pools | N/A | None | None |

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 3 – CASH AND CASH EQUIVALENTS, continued

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Cash and Cash Equivalents

Cash and investments as of June 30, 2017, consist of the following:

Governmental Funds:

| | | |
|---------------------------------|----|--------------------|
| Cash in County Treasury | \$ | 103,653,888 |
| Cash on hand and in banks | | 1,312,811 |
| Total cash and cash equivalents | \$ | <u>104,966,699</u> |

Fiduciary Funds:

| | | |
|---------------------------------|----|----------------|
| Cash in County Treasury | \$ | 410,746 |
| Cash on hand and in banks | | 50,616 |
| Total cash and cash equivalents | \$ | <u>461,362</u> |

Interest Rate Risk

Interest rate risk is risk to the earnings or market value of a portfolio due to uncertain future interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates. The District manages its exposure to interest rate risk by primarily investing in the County Investment Pool and in other investment agreements.

Specific Identification

Information about the sensitivity of the fair market values of the District's investments to market interest rate fluctuations is indicated by the 660 day weighted average maturity for the District's deposits of \$103,653,888 book value and \$103,414,655 fair value held with the County Treasurer.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County pool is not required to be rated, nor has it been rated as of June 30, 2017.

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3 – CASH AND CASH EQUIVALENTS, continued

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District’s bank balance was not exposed to custodial credit risk because the balance was comprised of accounts that were individually below \$250,000 and as such, was covered under the FDIC insurance limit.

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. At June 30, 2017 accounts receivable totaled \$36,062,567. All receivables accrued are considered collectible in full.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2017 was as follows:

| | Beginning Balance July 1, 2016 | Additions | Deductions | Transfers | Beginning Balance June 30, 2017 |
|--|-----------------------------------|--------------|------------|-------------|------------------------------------|
| Capital Assets not being Depreciated | | | | | |
| Land | \$ 4,477,420 | \$ - | \$ - | \$ - | \$ 4,477,420 |
| Construction in progress | 3,817,036 | 4,217,914 | - | (2,694,675) | 5,340,275 |
| Total Capital Assets not being Depreciated | 8,294,456 | 4,217,914 | - | (2,694,675) | 9,817,695 |
| Capital Assets being Depreciated | | | | | |
| Site improvements | 1,560,195 | - | - | 104,086 | 1,664,281 |
| Buildings & improvements | 220,851,741 | 1,712,901 | - | 2,590,589 | 225,155,231 |
| Equipment | 20,502,722 | 765,314 | 125,727 | - | 21,142,309 |
| Vehicles | 3,752,465 | 39,929 | 21,081 | - | 3,771,313 |
| Total Capital Assets being Depreciated | 246,667,123 | 2,518,144 | 146,808 | 2,694,675 | 251,733,134 |
| Total Capital Assets | 254,961,579 | 6,736,058 | 146,808 | - | 261,550,829 |
| Less Accumulated Depreciation | 65,034,663 | 5,652,230 | 120,559 | - | 70,566,334 |
| Net Capital Assets | \$ 189,926,916 | \$ 1,083,828 | \$ 26,249 | \$ - | \$ 190,984,495 |

Depreciation expense for the year was \$5,652,230

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 5 – CAPITAL ASSETS, continued

Capital asset activity for the District for the fiscal year ended June 30, 2016 was as follows:

| | Beginning Balance | | | | Beginning Balance |
|--|-------------------|--------------|------------|-----------|-------------------|
| | July 1, 2015 | Additions | Deductions | Transfers | June 30, 2016 |
| Capital Assets not being Depreciated | | | | | |
| Land | \$ 4,477,420 | \$ - | \$ - | \$ - | \$ 4,477,420 |
| Construction in progress | 1,798,562 | 2,729,458 | - | (710,984) | 3,817,036 |
| Total Capital Assets not being Depreciated | 6,275,982 | 2,729,458 | - | (710,984) | 8,294,456 |
| Capital Assets being Depreciated | | | | | |
| Site improvements | 1,560,195 | - | - | - | 1,560,195 |
| Buildings & improvements | 219,487,399 | 653,358 | - | 710,984 | 220,851,741 |
| Equipment | 19,034,012 | 1,538,975 | 70,265 | - | 20,502,722 |
| Vehicles | 3,655,819 | 145,382 | 48,736 | - | 3,752,465 |
| Total Capital Assets being Depreciated | 243,737,425 | 2,337,715 | 119,001 | 710,984 | 246,667,123 |
| Total Capital Assets | 250,013,407 | 5,067,173 | 119,001 | - | 254,961,579 |
| Less Accumulated Depreciation | 59,576,350 | 5,577,314 | 119,001 | - | 65,034,663 |
| Net Capital Assets | \$ 190,437,057 | \$ (510,141) | \$ - | \$ - | \$ 189,926,916 |

Depreciation expense for the year was \$5,577,314

NOTE 6 – LONG-TERM LIABILITIES

Summary

The changes in the District's long-term liabilities for the 2017 fiscal year consisted of the following:

| | Balance | | | Balance | | Due Within |
|-------------------------------------|---------------|---------------|--------------|----------------|--------------|------------|
| | July 1, 2016 | Additions | Deductions | June 30, 2017 | One Year | |
| Long-Term Liabilities | | | | | | |
| General obligation bonds | \$ 66,653,626 | \$ 42,229,021 | \$ 2,628,618 | \$ 106,254,029 | \$ 2,150,000 | |
| Premium on bonds | 8,407,430 | 4,167,582 | 952,461 | 11,622,551 | - | |
| Capital lease obligations | 9,272,333 | - | 779,244 | 8,493,089 | 850,671 | |
| California Energy Conservation loan | 437,765 | - | 52,830 | 384,935 | 53,360 | |
| Compensated absences | 3,102,811 | 66,235 | - | 3,169,046 | 1,323,749 | |
| Totals | \$ 87,873,965 | \$ 46,462,838 | \$ 4,413,153 | \$ 129,923,650 | \$ 4,377,780 | |

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 – LONG-TERM OBLIGATIONS, continued

Summary, continued

The changes in the District's long-term liabilities for the 2016 fiscal year consisted of the following:

| | Balance | | | Balance | | Due Within One Year |
|-------------------------------------|---------------|------------|--------------|---------------|------|------------------------|
| | July 1, 2015 | Additions | Deductions | June 30, 2016 | | |
| Long-Term Liabilities | | | | | | |
| Revenue bonds | \$ 2,020,000 | \$ - | \$ 2,020,000 | \$ - | \$ - | - |
| General obligation bonds | 67,779,757 | 215,250 | 1,341,381 | 66,653,626 | | 760,000 |
| Premium on bonds | 9,766,748 | - | 1,359,318 | 8,407,430 | | - |
| Capital lease obligations | 11,868,659 | - | 2,596,326 | 9,272,333 | | 779,244 |
| California Energy Conservation loan | 490,058 | - | 52,293 | 437,765 | | 52,830 |
| Compensated absences | 2,976,733 | 126,078 | - | 3,102,811 | | 1,551,406 |
| Totals | \$ 94,901,955 | \$ 341,328 | \$ 7,369,318 | \$ 87,873,965 | \$ | 3,143,480 |

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax collections. The General Fund makes payments for the revenue bonds, compensated absences, other postemployment benefits and the supplemental employee retirement plan. Accrued vacation will be paid by the fund for which the employee worked.

Original issuance premiums and issuance costs are amortized over the life of the bonds as a component of interest expense on the bonds.

Bonded Debt

The outstanding general obligation bonded debt as of June 30, 2017 is as follows:

| Series | Issue Date | Yield | Maturity Date | Bonds | | | Bonds | | Due Within One Year |
|----------------|------------|------------|------------------|-----------------------------|---------------|--------------|------------------------------|--------------|------------------------|
| | | | | Outstanding July 1, 2016 | Additions | Redeemed | Outstanding June 30, 2017 | | |
| 2002 Series A | 5/23/2002 | 1.60-5.80% | 8/1/2027 | \$ 1,332,498 | \$ 110,412 | \$ - | \$ 1,442,910 | \$ - | |
| 2002 Series B | 6/22/2005 | 2.52-4.99% | 8/1/2029 | 3,131,128 | 118,609 | 753,618 | 2,496,119 | - | |
| 2002 Series C | 4/22/2009 | 4.99-5.10% | 8/1/2030 | 17,900,000 | - | - | 17,900,000 | - | |
| 2012 Refunding | 1/18/2012 | 0.32-2.77% | 8/1/2026 | 18,870,000 | - | 1,115,000 | 17,755,000 | 1,205,000 | |
| 2015 Refunding | 1/21/2015 | 1.49-2.16% | 8/1/2027 | 25,420,000 | - | 760,000 | 24,660,000 | 945,000 | |
| 2016 Series A | 4/16/2017 | 0.92-3.90% | 8/1/2046 | - | 42,000,000 | - | 42,000,000 | | |
| | | | Total | \$ 66,653,626 | \$ 42,229,021 | \$ 2,628,618 | \$ 106,254,029 | \$ 2,150,000 | |

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 – LONG-TERM OBLIGATIONS, continued

Bonded Debt, continued

Election of 2002 General Obligation Bonds, Series A

During May 2002, the District issued the Election of 2002 General Obligation Bonds, Series A in the amount of \$29,999,445. The bonds issued consisted of \$21,680,000 of current interest serial bonds, \$7,885,000 of current interest term bonds and \$434,445 in capital appreciation bonds. The bonds mature beginning on August 1, 2003 through August 1, 2027, with interest yields ranging from 1.60 percent to 5.80 percent. At June 30, 2017, the principal balance outstanding (including accreted interest to date) was \$1,442,910.

| Fiscal Year | Principal | Interest | Accreted Interest | Total |
|-------------|--------------|----------|-------------------|--------------|
| 2018 | \$ - | \$ - | \$ - | \$ - |
| 2019 | - | - | - | - |
| 2020 | - | - | - | - |
| 2021 | - | - | - | - |
| 2022 | - | - | - | - |
| 2023-2027 | 434,445 | - | 2,660,555 | 3,095,000 |
| Accretion | 1,008,465 | - | (1,008,465) | - |
| Total | \$ 1,442,910 | \$ - | \$ 1,652,090 | \$ 3,095,000 |

Election of 2002 General Obligation Bonds, Series B

During June 2005, the District issued the Election of 2002 General Obligation Bonds, Series B in the amount of \$36,998,634. The bonds issued consisted of \$27,210,000 of current interest serial bonds, \$8,420,000 of current interest term bonds and \$1,368,634 in capital appreciation bonds. The bonds mature beginning on August 1, 2006 through August 1, 2029, with interest yields ranging from 2.52 percent to 4.99 percent. At June 30, 2017, the principal balance outstanding (including accreted interest to date) was \$2,496,119.

| Fiscal Year | Principal | Interest | Accreted Interest | Total |
|-------------|--------------|----------|-------------------|--------------|
| 2018 | \$ - | \$ - | \$ - | \$ - |
| 2019 | - | - | - | - |
| 2020 | - | - | - | - |
| 2021 | - | - | - | - |
| 2022 | - | - | - | - |
| 2023-2027 | - | - | - | - |
| 2028-2030 | 1,368,634 | - | 3,106,366 | 4,475,000 |
| Accretion | 1,127,485 | - | (1,127,485) | - |
| Total | \$ 2,496,119 | \$ - | \$ 1,978,881 | \$ 4,475,000 |

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 – LONG-TERM OBLIGATIONS, continued

Bonded Debt, continued

Election of 2002 General Obligation Bonds, Series C

During April 2009, the District issued the Election of 2002 General Obligation Bonds, Series C in the amount of \$17,900,000. The bonds issued consisted entirely of current interest serial bonds. The bonds mature beginning on August 1, 2028 through August 1, 2030, with interest yields ranging from 4.99 percent to 5.10 percent. At June 30, 2017, the principal balance outstanding was \$17,900,000.

| Fiscal Year | Principal | Interest | Total |
|-------------|---------------|---------------|---------------|
| 2018 | \$ - | \$ 937,625 | \$ 937,625 |
| 2019 | - | 937,625 | 937,625 |
| 2020 | - | 937,625 | 937,625 |
| 2021 | - | 937,625 | 937,625 |
| 2022 | - | 937,625 | 937,625 |
| 2023-2027 | - | 4,688,125 | 4,688,125 |
| 2028-2031 | 17,900,000 | 2,236,750 | 20,136,750 |
| Total | \$ 17,900,000 | \$ 11,613,000 | \$ 29,513,000 |

2012 General Obligation Refunding Bonds

Proceeds from the 2012 General Obligation Refunding Bonds of \$21,755,000, issued in January 2012, were used to advance refund a portion of the outstanding Election of 2002 General Obligation Bonds, Series A. Investments backed by the U.S. government were purchased and placed in an irrevocable trust with an escrow agent. The investments and fixed earnings on the investments are sufficient to fully provide for all future debt service on the refunded bonds, and accordingly the refunding transaction met the criteria for an in-substance defeasance. The liabilities related to the refunded bonds were removed from the District's financial statements for the fiscal year ended June 30, 2012.

The bonds issued consisted entirely of current interest serial bonds. The bonds mature beginning on August 1, 2013 through August 1, 2026, with interest yields ranging from 0.32 percent to 2.77 percent. At June 30, 2017, the principal balance outstanding was \$17,755,000.

| Fiscal Year | Principal | Interest | Total |
|-------------|---------------|--------------|--------------|
| 2018 | 1,205,000 | 698,725 | \$ 1,903,725 |
| 2019 | 1,315,000 | 641,751 | 1,956,751 |
| 2020 | 1,440,000 | 572,874 | 2,012,874 |
| 2021 | 1,575,000 | 517,187 | 2,092,187 |
| 2022 | 1,670,000 | 462,012 | 2,132,012 |
| 2023-2027 | 10,550,000 | 927,862 | 11,477,862 |
| Total | \$ 17,755,000 | \$ 3,820,411 | 21,575,411 |

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 – LONG-TERM OBLIGATIONS, continued

Bonded Debt, continued

2015 General Obligation Refunding Bonds

Proceeds from the 2015 General Obligation Refunding Bonds, issued in January 2015, were used to advance refund a portion of the outstanding Election of 2002 General Obligation Bonds, Series B. Investments backed by the U.S. government were purchased and placed in an irrevocable trust with an escrow agent. The investments and fixed earnings on the investments are sufficient to fully provide for all future debt service on the refunded bonds, and accordingly the refunding transaction met the criteria for an in-substance defeasance. The liabilities related to the refunded bonds were removed from the District's financial statements for the fiscal year ended June 30, 2015. The bonds issued consisted entirely of current interest serial bonds. The bonds mature beginning on August 1, 2015 through August 1, 2027, with interest yields ranging from 1.49 percent to 2.16 percent. At June 30, 2017, the principal balance outstanding was \$24,660,000.

| Fiscal Year | Principal | Interest | Total |
|-------------|---------------|--------------|--------------|
| 2018 | 945,000 | 1,209,375 | \$ 2,154,375 |
| 2019 | 1,145,000 | 1,157,125 | 2,302,125 |
| 2020 | 1,360,000 | 1,094,500 | 2,454,500 |
| 2021 | 1,595,000 | 1,020,625 | 2,615,625 |
| 2022 | 1,855,000 | 934,375 | 2,789,375 |
| 2023-2027 | 13,930,000 | 2,869,000 | 16,799,000 |
| 2028 | 3,830,000 | 95,750 | 3,925,750 |
| Total | \$ 24,660,000 | \$ 8,380,750 | 33,040,750 |

Compensated Absences

Compensated absences refer to accumulated unpaid employee vacation benefits that are accrued as a liability as the benefits are earned. At June 30, 2017, the balance outstanding was \$3,102,811.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017 AND 2016**

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described above, the District provides certain health care benefits for eligible employees, and their dependents, who have retired from service with the District. Classified employees hired before July 1, 1987, and management and academic employees hired before July 1, 1988, receive lifetime benefits. Classified employees hired after July 1, 1987, and management and academic employees hired after July 1, 1988, can receive retiree health benefits until age 65. To be eligible for benefits, the employees must have been employed by the District for at least 10 continuous years and be at least 55 years of age.

Membership of the plan consisted of the following at July 1, 2015, the date of the latest actuarial valuation:

| | |
|---|------------|
| Retirees and beneficiaries receiving benefits | 228 |
| Active plan members | <u>491</u> |
| Total | <u>719</u> |
| Number of participating employers | 1 |

The District provides benefits through the Butte-Glenn Community College District Health Plan (the Plan), a single-employer defined benefit healthcare plan administered by the District. The Plan does not issue a publicly available report.

Funding Policy

The District’s agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements of plan members and the District are established and may be amended by the District’s Board of Trustees through the collective bargaining process. The members receiving benefit contributions vary depending on the level of coverage selected.

Funded Status and Funding Progress – OPEB Plans

The funded status of the plan as of the most recent actuarial valuation date is as follows:

| Actuarial Valuation Date | Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio |
|--------------------------------|--------------------|--|---------------------------|-----------------|
| July 1, 2015 | \$ 16,023,115 | \$ 36,231,609 | \$ 20,208,494 | 44.22% |

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Funded Status and Funding Progress – OPEB Plans, continued

Actuarial valuations of an ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by the employer in comparison to the annual required contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

| | |
|------------------------------|--------------------|
| Valuation Date | 7/1/2015 |
| Actuarial Cost Method | Entry-age normal |
| Amortization Method | Level Dollar Basis |
| Amortization Period | 30 years |
| Asset Valuation | Market Value Basis |
| Actuarial Assumptions: | |
| Inflation rate | 2.75% |
| Discount rate | 7.25% |
| Healthcare cost trend rates: | |
| Long-term | 4.00% |

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Annual OPEB Cost and Net OPEB Asset

For the year ended June 30, 2017, the District’s annual OPEB cost is calculated based on the ARC for the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District’s net OPEB asset:

| | |
|--------------------------------|----------------------|
| Annual required contribution | \$ 2,107,119 |
| Annual OPEB cost (expense) | 2,107,119 |
| Contributions made | <u>2,807,464</u> |
| Increase in net OPEB asset | 700,345 |
| Net OPEB asset - July 1, 2016 | <u>13,822,542</u> |
| Net OPEB asset - June 30, 2017 | <u>\$ 14,522,887</u> |

NOTE 8 – NET PENSION LIABILITY

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are member of the California State Teachers’ Retirement System (CalSTRS), and Classified employees are members of the California Public Employees’ Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

| Pension Plan | Collective Net Pension Liability | Collective Deferred Outflows of Resources | Collective Deferred Inflows of Resources | Collective Pension Expense |
|--------------|----------------------------------|---|--|----------------------------|
| CalSTRS | \$ 35,933,488 | \$ 5,151,317 | \$ 4,840,180 | \$ 3,394,098 |
| CalPERS | 29,065,674 | 8,449,165 | 1,354,954 | 4,112,724 |
| Total | <u>\$ 64,999,162</u> | <u>\$ 13,600,482</u> | <u>\$ 6,195,134</u> | <u>\$ 7,506,822</u> |

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017 AND 2016**

NOTE 8 – NET PENSION LIABILITY, continued

Pension Plans – California Public Employees’ Retirement System (CalPERS)

General Information about the Pension Plan

Plan Description – Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member’s final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member’s beneficiary if the member dies while actively employed. An employee’s eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

| | School Employer Pool (CalPERS) | |
|---|--------------------------------|--------------------|
| | On or before | On or after |
| Hire date | December 31, 2012 | January 1, 2013 |
| Benefit formula | 2% at 55 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 55 | 62 |
| Monthly benefits as a percentage of eligible compensation | 1.1% - 2.5% | 1.0% - 2.5% |
| Required employee contribution rate | 7.000% | 6.000% |
| Required employer contribution rate | 11.85% | 11.85% |

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 8 – NET PENSION LIABILITY, continued

Pension Plans – California Public Employees’ Retirement System (CalPERS), continued

General Information about the Pension Plan, continued

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were \$59,301.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CalPERS

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$29,065,674. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.147 percent and 0.151 percent, resulting in a net decrease in the proportionate share of 0.004 percent.

For the year ended June 30, 2017, the District recognized a pension expense of \$4,112,724. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between projected and actual earnings on plan investments | \$ 4,134,930 | \$ - |
| Differences between expected and actual experience | 1,273,915 | - |
| Changes in assumptions | - | 898,850 |
| Net changes in proportionate share of net pension liability | 287,178 | 456,104 |
| District contributions subsequent to the measurement date | 2,753,142 | - |
| Total | \$ 8,449,165 | \$ 1,354,954 |

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017 AND 2016**

NOTE 8 – NET PENSION LIABILITY, continued

Pension Plans – California Public Employees’ Retirement System (CalPERS), continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CalPERS, continued

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to pensions will be recognized as follows:

| Year Ended June 30, | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------|-----------------------------------|----------------------------------|
| 2018 | \$ 1,728,114 | \$ 630,356 |
| 2019 | 1,668,995 | 583,048 |
| 2020 | 1,121,830 | 141,550 |
| 2021 | 1,177,084 | - |
| | \$ 5,696,023 | \$ 1,354,954 |

Actuarial assumptions. For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 and the June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

| | |
|---------------------------|-------------------------------------|
| Valuation date | June 30, 2015 |
| Measurement date | June 30, 2016 |
| Experience study | July 1, 1997, through June 30, 2011 |
| Actuarial cost method | Entry Age Normal |
| Discount rate | 7.65% |
| Investment rate of return | 7.50% |
| Consumer price inflation | 2.75% |
| Wage growth | Varies by entry age and service |

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 8 – NET PENSION LIABILITY, continued

Pension Plans – California Public Employees’ Retirement System (CalPERS), continued

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses:

| Asset Class | Assumed Asset Allocation | Real Return Years 1 - 10* | Real Return Years 11+** |
|-------------------------------|---------------------------------|----------------------------------|--------------------------------|
| Global Equity | 51% | 5.25% | 5.71% |
| Global Debt Securities | 20% | 0.99% | 2.43% |
| Inflation Assets | 6% | 0.45% | 3.36% |
| Private Equity | 10% | 6.83% | 6.95% |
| Real Estate | 10% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2% | 4.50% | 5.09% |
| Liquidity | 1% | -0.55% | -1.05% |
| | 100% | | |

*An expected inflation of 2.5% used for this period

**An expected inflation of 3.0% used for this period

Discount Rate - The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate -

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is in the following table:

| | 1% Decrease (6.65%) | Current Discount Rate (7.65%) | 1% Increase (8.65%) |
|------------------------------|---------------------------|-------------------------------------|---------------------------|
| Plan's net pension liability | \$ 43,316,787 | \$ 29,065,674 | \$ 17,138,186 |

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS CAFR at <https://www.calpers.ca.gov>.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 8 – NET PENSION LIABILITY, continued

Pension Plans – California State Teachers’ Retirement System (CalSTRS)

General Information about the Pension Plan

Plan Description – The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided - The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans. The STRP provision and benefits in effect as June 30, 2017 are summarized as follows:

| | STRP Defined Benefit Plan | |
|---|-----------------------------------|--------------------------------|
| | On or before December 31, 2012 | On or after January 1, 2013 |
| Hire date | December 31, 2012 | January 1, 2013 |
| Benefit formula | 2% at 60 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 60 | 62 |
| Monthly benefits as a percentage of eligible compensation | 2.0% - 2.4% | 2.0% - 2.4% |
| Required employee contribution rate | 10.25% | 9.205%* |
| Required employer contribution rate | 12.58% | 12.58% |
| Required state contribution rate | 8.828% | 8.828% |

*The rate imposed on CalSTRS 2% at 62 members assuming no change in the normal cost of benefits.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017 AND 2016**

NOTE 8 – NET PENSION LIABILITY, continued

Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued

General Information about the Pension Plan, continued

Contributions - Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were \$2,866,105.

On-Behalf Payments - The District was the recipient of on-behalf payments made by the State of California to CalSTRS for community college education. These payments consist of state general fund contributions of approximately \$1,806,710 to CalSTRS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CalSTRS

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including state share:

| | |
|---|----------------------|
| District's proportionate share of the net pension liability | \$ 35,933,488 |
| State's proportionate share of the net pension liability associated with the District | 20,459,305 |
| Total | <u>\$ 56,392,793</u> |

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.044 percent and 0.049 percent, resulting in a net decrease in the proportionate share of 0.005 percent.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 8 – NET PENSION LIABILITY, continued

Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CalSTRS, continued

For the year ended June 30, 2017, the District recognized pension expense of \$3,394,098. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between projected and actual earnings on plan investments | \$ 2,285,212 | \$ - |
| Differences between expected and actual experience | - | 916,119 |
| Net changes in proportionate share of net pension liability | - | 3,924,061 |
| District contributions subsequent to the measurement date | 2,866,105 | - |
| Total | <u>\$ 5,151,317</u> | <u>\$ 4,840,180</u> |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to pensions will be recognized as follows:

| Year Ended June 30, | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------|-----------------------------------|----------------------------------|
| 2018 | \$ 404,569 | \$ 865,519 |
| 2019 | 404,569 | 865,519 |
| 2020 | 404,570 | 865,519 |
| 2021 | 1,071,504 | 865,519 |
| 2022 | - | 865,514 |
| Thereafter | - | 512,590 |
| | <u>\$ 2,285,212</u> | <u>\$ 4,840,180</u> |

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 8 – NET PENSION LIABILITY, continued

Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued

Actuarial Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---------------------------|-------------------------------------|
| Valuation date | June 30, 2015 |
| Measurement date | June 30, 2016 |
| Experience study | July 1, 2006, through June 30, 2010 |
| Actuarial cost method | Entry Age Normal |
| Discount rate | 7.60% |
| Investment rate of return | 7.60% |
| Consumer price inflation | 3.00% |
| Wage growth | 3.75% |

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary’s investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers’ Retirement Board of the California State Teachers’ Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-term Expected Real Rate of Return* |
|--|---------------------------------|--|
| Global Equity | 47% | 6.30% |
| Fixed Income | 12% | 0.30% |
| Real Estate | 13% | 5.20% |
| Private Equity | 13% | 9.30% |
| Cash/Liquidity | 2% | -1.00% |
| Absolute Return/Risk Mitigation Strategies | 9% | 2.90% |
| Inflation Sensitive | 4% | 3.80% |
| | 100% | |

*20-year geometric average

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017 AND 2016**

NOTE 8 – NET PENSION LIABILITY, continued

Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued

Discount rate - The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate - The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60% percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

| | 1% Decrease (6.60%) | Current Discount Rate (7.60%) | 1% Increase (8.60%) |
|------------------------------|---------------------------|-------------------------------------|---------------------------|
| Plan’s net pension liability | \$ 51,218,640 | \$ 35,933,488 | \$ 22,605,440 |

Pension plan fiduciary net position - Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS CAFR at <http://www.calstrs.com/comprehensive-annual-financial-report>.

NOTE 9 – RISK MANAGEMENT

The District is a member of the Northern California Community Colleges Self-Insurance Authority (NCCCSIA), a joint powers authority (JPA), for the purpose of establishing, operating and maintaining programs for risk pooling, insurance, and risk management for liability, property and workers’ compensation. NCCCSIA self-insures its liability and property exposures through the Statewide Association of Community Colleges Joint Powers Authority (SWACC) and Schools Association for Excess Risk (SAFER) and its workers’ compensation exposures through the Protected Insurance Program for Schools and Community Colleges Joint Power Authority (PIPS).

The District participates in a health insurance benefits program organized by the Butte Schools Self-Funded Program (BSSP), a joint powers authority, created to provide self-insurance programs for school districts.

The JPA’s are independently accountable for their fiscal matters, and as such, are not component units of the District for financial reporting purposes.

Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the programs. There has been no significant reduction in any of the insurance coverages from the prior year. Settled claims resulting from these programs have not exceeded insurance coverage in each of the past three fiscal years.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District as of June 30, 2017.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

NOTE 11 – RELATED PARTY TRANSACTIONS

As described in Note 1, the Foundation is a supporting organization of the District and the College; therefore, transactions between the Foundation and the District, District personnel, students at the College, and programs of the College, are expected. Per the Foundation's Bylaws, the College President is responsible for Foundation operations and District and College personnel serve in ex-officio and voting capacities on the Foundation's Board.

During the year ended June 30, 2017, the Foundation indirectly supported the District by providing grants to students of the College, paying programmatic expenditures, and/or reimbursing District personnel and departments for programmatic costs.

The Foundation was further supported by the involvement of College and District personnel in the Foundation's events and programs. The total amount of these contributions has not been segregated from the non-District affiliated contributions.

NOTE 12 – SUBSEQUENT EVENTS

The District evaluated subsequent events from June 30, 2017 through December 7, 2017, the date the financial statements were issued. No items requiring disclosure were noted.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
 FOR THE YEAR ENDED JUNE 30, 2017**

| Actuarial Valuation Date | Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|--------------------|--|---------------------------|-----------------|--------------------|--|
| 7/1/2015 | \$ 16,023,115 | \$ 36,231,609 | \$ 20,208,494 | 44.22% | \$ 33,875,409 | 108.03% |
| 7/1/2013 | \$ 9,004,386 | \$ 48,655,201 | \$ 39,650,815 | 18.51% | \$ 32,993,887 | 120.18% |
| 12/16/2011 | \$ 2,392,736 | \$ 41,198,006 | \$ 38,805,270 | 5.81% | \$ 33,092,425 | 117.26% |

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017**

| CaSTRS | 2017 | 2016 | 2015 |
|---|----------------------|----------------------|----------------------|
| District's proportion of the net pension liability | 0.044% | 0.049% | 0.046% |
| District's proportionate share of the net pension liability | \$ 35,933,488 | \$ 32,726,520 | \$ 26,907,952 |
| State's proportionate share of the net pension liability associated with the District | 20,459,305 | 17,308,674 | 16,478,960 |
| Total | <u>\$ 56,392,793</u> | <u>\$ 50,035,194</u> | <u>\$ 43,386,912</u> |
| District's covered - employee payroll | \$ 22,783,029 | \$ 26,985,380 | \$ 32,097,000 |
| District's proportionate Share of the net pension liability as percentage of covered-employee payroll | 157.72% | 121.3% | 83.8% |
| Plan fiduciary net position as a percentage of the total pension liability | 70.0% | 74.0% | 76.5% |
| CaIPERS | 2017 | 2016 | 2015 |
| District's proportion of the net pension liability | 0.147% | 0.151% | 0.156% |
| District's proportionate share of the net pension liability | \$ 29,065,674 | \$ 22,328,567 | \$ 17,456,784 |
| District's covered - employee payroll | \$ 19,821,037 | \$ 18,052,908 | \$ 12,723,907 |
| District's proportionate Share of the net pension liability as percentage of covered-employee payroll | 146.64% | 123.7% | 137.2% |
| Plan fiduciary net position as a percentage of the total pension liability | 73.9% | 79.4% | 83.4% |

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017**

| CaSTRS | Reporting Fiscal Year | | |
|---|------------------------------|---------------|---------------|
| | 2017 | 2016 | 2015 |
| Statutorily required contribution | \$ 2,866,105 | \$ 2,417,462 | \$ 1,995,120 |
| District's contributions in relation to the statutorily required contribution | 2,866,105 | 2,417,462 | 1,995,120 |
| District's contribution deficiency (excess) | - | - | - |
| District's covered-employee payroll | \$ 22,783,029 | \$ 22,529,935 | \$ 12,723,907 |
| District's contributions as a percentage of covered-employee payroll | 12.58% | 10.73% | 15.68% |

| CaPERS | Reporting Fiscal Year | | |
|---|------------------------------|--------------|--------------|
| | 2017 | 2016 | 2015 |
| Statutorily required contribution | \$ 2,753,142 | \$ 2,138,728 | \$ 1,817,802 |
| District's contributions in relation to the statutorily required contribution | 2,753,142 | 2,138,728 | 1,817,802 |
| District's contribution deficiency (excess) | - | - | - |
| District's covered-employee payroll | \$ 19,821,037 | 18,052,908 | 15,756,972 |
| District's contributions as a percentage of covered-employee payroll | 13.89% | 11.85% | 11.54% |

**SUPPLEMENTARY
INFORMATION**

BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
DISTRICT ORGANIZATIONAL STRUCTURE
JUNE 30, 2017

The Butte-Glenn Community College District (the District) is a political subdivision of the State of California and is governed by an elected seven-member Board of Trustees. The District provides educational services to the local residents of the surrounding area. The District consists of one community college located in Oroville, California, a state approved center located in Chico, California, and satellite campuses throughout the bi-county area.

GOVERNING BOARD

| MEMBER | OFFICE | TERM EXPIRES |
|-------------------------|--------------------------------|---------------------|
| Mr. Eugene Massa | President | 2020 |
| Mr. Michael Boeger | Vice President | 2018 |
| Mr. William G. McGinnis | Clerk | 2020 |
| Mr. John Blacklock | Member | 2018 |
| Mr. John Dahlmeier | Member | 2018 |
| Mr. Rick Krepelka | Member | 2020 |
| Mr. Fred R. Perez | Member | 2018 |
| Ms. Keone Inouye | Student Member (Non-voting) | 2017 |

DISTRICT ADMINISTRATION

Dr. Samia Yaqub
Superintendent/President

Mr. Andrew Suleski
Vice President, Administration/CBO

Mrs. Virginia Guleff
Vice President, Student Learning and Economic Development

Mr. Allen Renville
Vice President, Student Services

Mr. Lester Jauron
Vice President, Planning, Research and Organizational Development

Mr. Jim Nicholas
Director, Business Services

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE | CFDA NUMBER | PASS-THROUGH ENTITY IDENTIFYING NUMBER* | FEDERAL EXPENDITURES |
|--|----------------|---|-------------------------|
| U.S. Department of Education | | | |
| Direct | | | |
| Student Financial Assistance Cluster | | | |
| Federal Supplemental Education Opportunity Grants | 84.007 | N/A | \$ 289,359 |
| Federal Work Study Program | 84.033 | N/A | 308,082 |
| Federal Direct Student Loans | 84.268 | N/A | 5,340,442 |
| Federal Pell Grant Program | 84.063 | N/A | 18,906,068 |
| Subtotal | | | <u>24,843,951</u> |
| Passed Through California Department of Education | | | |
| Adult Education | 84.002 | N/A | 76,905 |
| Vocational Education - Basic Grants to States | 84.048 | 15-150-001 | 370,000 |
| Vocational Education - Basic Grants to States - Title I-C | 84.048 | 15-C01-004 | 502,939 |
| Career and Technical Education - Basic Grants to States | 84.048 | 15-112-004 | 43,748 |
| Total U.S. Department of Education | | | <u>25,837,543</u> |
| U.S. Department of Agriculture | | | |
| Passed Through Butte County Office of Education | | | |
| Child and Adult Care Food Program | 10.558 | N/A | 11,186 |
| Forest Reserve | 10.665 | N/A | 2,915 |
| Total U.S. Department of Agriculture | | | <u>14,101</u> |
| Corporation for National and Community Service | | | |
| Passed Through California Community Colleges Chancellor's Office | | | |
| AmeriCorps | 94.006 | N/A | 45,533 |
| U.S. Department of the Interior | | | |
| Passed Through Bureau of Indian Affairs | | | |
| Indian Loans - Economic Development | 15.124 | N/A | 43,394 |
| Total U.S. Department of the Interior | | | <u>43,394</u> |
| U.S. Department of Commerce | | | |
| Passed Through California Manufacturing Technology Consulting | | | |
| National Institute of Standards and Technology | 11.611 | N/A | 30,902 |
| Total U.S. Department of the Commerce | | | <u>30,902</u> |
| Small-Business Administration | | | |
| Passed Through CSU, Chico Research Foundation | | | |
| Small Business Development - 2016 | 59.037 | 16-001 | 113,701 |
| Small Business Development - 2017 | 59.037 | 17-006 | 95,878 |
| Small Business Development Supplemental | 59.037 | N/A | - |
| Total Small-Business Administration | | | <u>209,579</u> |
| U.S. Department of Veterans Affairs | | | |
| Veterans Education | | | |
| | 64.117 | N/A | 2,108 |
| Total U.S. Department of Veterans Affairs | | | <u>2,108</u> |
| U.S. Department of Health and Human Services | | | |
| Passed Through California Community Colleges Chancellor's Office | | | |
| Temporary Assistance for Needy Families | 93.558 | N/A | 34,776 |
| Foster Care Title IV-E | 93.658 | N/A | 143,818 |
| ILP-YESS | 93.674 | N/A | 22,500 |
| Medi-Cal Administrative Activities | 93.778 | N/A | - |
| Total U.S. Department of Health and Human Services | | | <u>201,094</u> |
| U.S. Environmental Protection Agency | | | |
| Office of Research and Development | | | |
| National Student Design Competition for Sustainability | 66.516 | N/A | 7,974 |
| Total U.S. Environmental Protection Agency | | | <u>7,974</u> |
| U.S. Department of Transportation | | | |
| Dwight D. Eisenhower Transportation Fellowship Program | | | |
| | 20.215 | N/A | 19,914 |
| Total U.S. Department of Justice | | | <u>19,914</u> |
| Total Federal Programs | | | <u>\$ 26,412,142</u> |

See accompanying note to the supplementary information.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

| Program Title | Total Entitlement | Program Revenues | | | | Total Revenue | Program Expenditures |
|--|-----------------------|---------------------|----------------------|------------------------|----------------------|----------------------|-------------------------|
| | | Prior balance | Cash Received | Accounts Receivable | Grantor Advances | | |
| Basic Skills | \$ 780,392 | \$ (18,837) | \$ 683,590 | \$ - | \$ 297,181 | \$ 405,246 | \$ 405,246 |
| CalWorks | 377,136 | 9,157 | 377,136 | 9,157 | - | 377,136 | 377,136 |
| Extended Opportunity Programs and Services | 1,395,523 | - | 1,395,523 | - | - | 1,395,523 | 1,395,523 |
| Cooperative Agencies Resources for Education | 363,974 | - | 363,974 | - | - | 363,974 | 363,974 |
| Disabled Students Programs and Services | 601,870 | - | 601,870 | - | - | 601,870 | 601,870 |
| SSSP | 3,836,492 | (1,304,575) | 2,531,917 | - | 1,367,669 | 2,468,823 | 2,468,823 |
| Student Equity | 2,451,218 | (799,389) | 1,652,345 | - | 573,252 | 1,878,482 | 1,878,482 |
| Board Financial Assistance Program | 498,043 | (38,071) | 459,972 | - | 25,907 | 472,136 | 472,136 |
| Online Ed Initiative | 26,664,524 | 2,668,582 | 15,810,996 | 6,326,987 | - | 19,469,401 | 19,469,401 |
| Ed Planning Initiative | 8,461,910 | 9,424,375 | 10,000,000 | 7,496,373 | - | 8,071,998 | 8,071,998 |
| Temporary Assistance for Needy Families | 34,761 | - | 34,776 | - | - | 34,776 | 34,776 |
| TTIP/CENIC | 29,925,418 | (6,103,448) | 18,821,971 | - | 9,032,353 | 15,893,066 | 15,893,066 |
| Common Assessment Initiative | 6,000,000 | 1,719,304 | 4,119,304 | 3,600,000 | - | 6,000,000 | 6,000,000 |
| Technology Center | 7,035,250 | 1,717,008 | 2,162,296 | 4,168,321 | - | 4,613,609 | 4,613,609 |
| C.A.I. | 5,049,289 | 3,715,858 | 5,480,696 | 3,459,943 | 315,550 | 4,909,231 | 4,909,231 |
| E.P.I. | 1,574,754 | - | - | 1,574,475 | - | 1,574,475 | 1,574,475 |
| Restricted Lottery | 464,960 | - | 464,960 | - | - | 464,960 | 464,960 |
| All other state programs | 19,723,285 | (1,437,637) | 17,194,797 | 3,655,344 | 11,918,219 | 10,369,559 | 10,369,559 |
| Total State District Funding | \$ 115,238,799 | \$ 9,552,327 | \$ 82,156,123 | \$ 30,290,600 | \$ 23,530,131 | \$ 79,364,265 | \$ 79,364,265 |

See accompanying note to the supplementary information.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT -
ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2017**

| CATEGORIES | Reported Data | Audit Adjustments | Audited Data |
|---|------------------|----------------------|-----------------|
| A. Summer Intersession (Summer 2016 only) | | | |
| 1. Noncredit | 7.72 | - | 7.72 |
| 2. Credit | 199.92 | - | 199.92 |
| B. Summer Intersession (Summer 2017 - Prior to July 1, 2017) | | | |
| 1. Noncredit | 2.51 | - | 2.51 |
| 2. Credit | 58.39 | - | 58.39 |
| C. Primary Terms (Exclusive of Summer Intersession) | | | |
| 1. Census Procedure Courses | | | |
| (a) Weekly Census Contact Hours | 6,634.43 | - | 6,634.43 |
| (b) Daily Census Contact Hours | 584.82 | - | 584.82 |
| 2. Actual Hours of Attendance Procedure Courses | | | |
| (a) Noncredit | 1,258.45 | - | 1,258.45 |
| (b) Credit | 569.26 | - | 569.26 |
| 3. Independent Study/Work Experience | | | |
| (a) Weekly Census Contact Hours | 604.96 | - | 604.96 |
| (b) Daily Census Contact Hours | 66.14 | - | 66.14 |
| (c) Noncredit Independent Study/Distance Education Courses | - | - | - |
| D. Total FTES | 9,986.60 | - | 9,986.60 |
| Supplemental Information (subset of above information) | | | |
| E. In-service Training Courses | 312.24 | - | 312.24 |
| F. Basic Skills Courses and Immigrant Education | | | |
| 1. Credit | 155.70 | - | 155.70 |
| 2. Noncredit | 421.41 | - | 421.41 |
| Total Basic Skills FTES | 577.11 | - | 577.11 |

See accompanying note to the supplementary information.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2017.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2017**

| | Object/ TOP Codes | Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100 | | | Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 | | |
|--|-------------------------|--|----------------------|---------------|---|----------------------|---------------|
| | | Reported Data | Audit Adjustments | Revised Data | Reported Data | Audit Adjustments | Revised Data |
| | | | | | | | |
| <u>Academic Salaries</u> | | | | | | | |
| Instructional Salaries | | | | | | | |
| Contract or Regular | 1100 | 12,405,279 | - | 12,405,279 | 12,405,279 | - | 12,405,279 |
| Other | 1300 | 7,629,916 | - | 7,629,916 | 7,629,966 | - | 7,629,966 |
| Total Instructional Salaries | | 20,035,195 | - | 20,035,195 | 20,035,245 | - | 20,035,245 |
| Non-Instructional Salaries | | | | | | | |
| Contract or Regular | 1200 | - | - | - | 4,334,835 | - | 4,334,835 |
| Other | 1400 | - | - | - | 559,943 | - | 559,943 |
| Total Non-Instructional Salaries | | - | - | - | 4,894,778 | - | 4,894,778 |
| Total Academic Salaries | | 20,035,195 | - | 20,035,195 | 24,930,023 | - | 24,930,023 |
| <u>Classified Salaries</u> | | | | | | | |
| Non-Instructional Salaries | | | | | | | |
| Regular Status | 2100 | - | - | - | 10,434,436 | - | 10,434,436 |
| Other | 2300 | - | - | - | 708,107 | - | 708,107 |
| Total Non-Instructional Salaries | | - | - | - | 11,142,543 | - | 11,142,543 |
| Instructional Aides | | | | | | | |
| Regular Status | 2200 | 1,027,640 | - | 1,027,640 | 1,027,640 | - | 1,027,640 |
| Other | 2400 | 448,897 | - | 448,897 | 448,897 | - | 448,897 |
| Total Instructional Aides | | 1,476,537 | - | 1,476,537 | 1,476,537 | - | 1,476,537 |
| Total Classified Salaries | | 1,476,537 | - | 1,476,537 | 12,619,080 | - | 12,619,080 |
| Employee Benefits | 3000 | 9,164,711 | - | 9,164,711 | 16,427,784 | - | 16,427,784 |
| Supplies and Materials | 4000 | - | - | - | 775,182 | - | 775,182 |
| Other Operating Expenses | 5000 | 896,173 | - | 896,173 | 2,997,820 | - | 2,997,820 |
| Equipment Replacement | 6420 | - | - | - | 821 | - | 821 |
| Total Expenditures Prior to Exclusions | | 31,572,616 | - | 31,572,616 | 57,750,710 | - | 57,750,710 |
| <u>Exclusions</u> | | | | | | | |
| Activities to Exclude | | | | | | | |
| Inst. Staff-Retirees' Benefits and Incentives | 5900 | 1,422,795 | - | 1,422,795 | 1,422,795 | - | 1,422,795 |
| Std. Health Svcs. Above Amount Collected | 6441 | - | - | - | - | - | - |
| Student Transportation | 6491 | - | - | - | - | - | - |
| Non-inst.Staff-Retirees' Benefits and Incentives | 6740 | - | - | - | 1,384,669 | - | 1,384,669 |
| Object to Exclude | | | | | | | |
| Rents and Leases | 5060 | - | - | - | 455,067 | - | 455,067 |
| Lottery Expenditures | | - | - | - | - | - | - |
| Academic Salaries | 1000 | - | - | - | - | - | - |
| Classified Salaries | 2000 | - | - | - | - | - | - |
| Employee Benefits | 3000 | - | - | - | - | - | - |
| Supplies and Materials | 4000 | - | - | - | - | - | - |
| Software | 4100 | - | - | - | - | - | - |
| Books, Magazines & Periodicals | 4200 | - | - | - | - | - | - |
| Instructional Supplies & Materials | 4300 | - | - | - | - | - | - |
| Non-inst. Supplies & Materials | 4400 | - | - | - | - | - | - |
| Total Supplies and Materials | | - | - | - | - | - | - |
| Other Operating Expenses and Services | 5000 | - | - | - | 1,406,676 | - | 1,406,676 |
| Capital Outlay | 6000 | - | - | - | - | - | - |
| Library Books | 6300 | - | - | - | - | - | - |
| Equipment | 6400 | - | - | - | - | - | - |
| Equipment - Additional | 6410 | - | - | - | - | - | - |
| Equipment - Replacement | 6420 | - | - | - | - | - | - |
| Total Equipment | | - | - | - | - | - | - |
| Total Capital Outlay | | - | - | - | - | - | - |
| Other Outgo | 7000 | - | - | - | - | - | - |
| Total Exclusions | | \$ 1,422,795 | \$ - | \$ 1,422,795 | \$ 4,669,207 | \$ - | \$ 4,669,207 |
| Total for ECS 84362, 50% Law | | \$ 30,149,821 | \$ - | \$ 30,149,821 | \$ 53,081,503 | \$ - | \$ 53,081,503 |
| Percent of CEE (Instructional Salary Cost/Total CEE) | | 56.80% | 0.00% | 56.80% | 100.00% | 0.00% | 100.00% |
| 50% of Current Expense of Education | | \$ - | \$ - | \$ - | \$ 26,540,752 | \$ - | \$ 26,540,752 |

See accompanying note to the supplementary information.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
 DETAILS OF THE EDUCATION PROTECTION ACCOUNT
 FOR THE YEAR ENDED JUNE 30, 2017**

| | |
|-------------|-----------|
| EPA Revenue | 8,394,539 |
|-------------|-----------|

| Activity Classification | Activity Code | Salaries and Benefits | Operating Expenses | Capital Outlay | Total |
|--------------------------|---------------|-----------------------|--------------------|----------------|-----------|
| | | (Obj 1000-3000) | (Obj 4000-5000) | (Obj 6000) | |
| Instructional Activities | 0100-5900 | 8,394,539 | - | - | 8,394,539 |
| Total | | 8,394,539 | - | - | 8,394,539 |

See accompanying note to the supplementary information.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2017**

| June 30, 2017 | General Fund | Bond Interest and Redemption Fund | Child Development Fund | Other Special Revenue Fund | Capital Outlay Projects Fund | Bond Construction Fund | Balance Forward |
|--|----------------------|-----------------------------------|------------------------|----------------------------|------------------------------|------------------------|-----------------------|
| ASSETS | | | | | | | |
| Cash and equivalents | \$ 31,513,061 | \$ 15,409,590 | \$ 180,693 | \$ 1,357,041 | \$ 3,139,897 | \$ 41,299,119 | \$ 92,899,401 |
| Accounts receivable, net | 35,392,980 | 38,254 | 368 | 3,324 | 11,541 | 90,671 | 35,537,138 |
| Inventory | - | - | - | - | - | - | - |
| Prepaid assets | 166,760 | - | - | - | - | - | 166,760 |
| Due from other funds | 211,251 | - | 26,066 | - | - | - | 237,317 |
| Total Assets | \$ 67,284,052 | \$ 15,447,844 | \$ 207,127 | \$ 1,360,365 | \$ 3,151,438 | \$ 41,389,790 | \$ 128,840,616 |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 10,788,712 | \$ - | \$ 21 | \$ - | \$ 23,106 | \$ 7,161 | \$ 10,819,000 |
| Deferred revenue | 29,585,783 | - | - | - | - | - | 29,585,783 |
| Compensated absences | 3,169,046 | - | - | - | - | - | 3,169,046 |
| Due to other funds | 1,543,007 | - | 33,089 | 992,255 | - | - | 2,568,351 |
| Total Liabilities | 45,086,548 | - | 33,110 | 992,255 | 23,106 | 7,161 | 46,142,180 |
| FUND EQUITY | | | | | | | |
| Retained earnings | - | - | - | - | - | - | - |
| Fund balance: | | | | | | | |
| Restricted | - | 15,447,844 | - | - | - | 41,382,629 | 56,830,473 |
| Committed | - | - | - | - | 3,128,332 | - | 3,128,332 |
| Assigned | - | - | - | - | - | - | - |
| Uncommitted | 22,197,504 | - | 174,017 | 368,110 | - | - | 22,739,631 |
| Total Fund Equity | 22,197,504 | 15,447,844 | 174,017 | 368,110 | 3,128,332 | 41,382,629 | 82,698,436 |
| Total Liabilities and Fund Equity | \$ 67,284,052 | \$ 15,447,844 | \$ 207,127 | \$ 1,360,365 | \$ 3,151,438 | \$ 41,389,790 | \$ 128,840,616 |

See accompanying note to the supplementary information.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2017**

| June 30, 2017 | Balance Brought Forward | Farm Operations Fund | Bookstore Fund | Cafeteria Fund | Self Insurance Fund | Retiree Benefit Fund | Financial Aid Fund | Total |
|--|-------------------------------|----------------------------|-------------------|-------------------|---------------------------|----------------------------|--------------------------|-----------------------|
| ASSETS | | | | | | | | |
| Cash and equivalents | \$ 92,899,401 | \$ 29,156 | \$ 192,460 | \$ 224,441 | \$ 3,272,506 | \$ 7,998,111 | \$ 350,624 | \$ 104,966,699 |
| Accounts receivable, net | 35,537,138 | 74 | 318,015 | 11,130 | 8,630 | 24,146 | 163,434 | 36,062,567 |
| Inventory | - | - | 276,354 | 23,064 | - | - | - | 299,418 |
| Prepaid assets | 166,760 | - | 5,321 | - | - | - | - | 172,081 |
| Due from other funds | 237,317 | - | 1,206 | 8,531 | 992,255 | 1,500,000 | 7,668 | 2,746,977 |
| Total Assets | \$ 128,840,616 | \$ 29,230 | \$ 793,356 | \$ 267,166 | \$ 4,273,391 | \$ 9,522,257 | \$ 521,726 | \$ 144,247,742 |
| LIABILITIES | | | | | | | | |
| Accounts payable | \$ 10,819,000 | \$ 126 | \$ 47,106 | \$ 892 | \$ - | \$ - | \$ 164,799 | \$ 11,031,923 |
| Deferred revenue | 29,585,783 | - | 82,701 | 77,880 | - | - | 194,422 | 29,940,786 |
| Long-term obligations | 3,169,046 | - | - | - | - | - | - | 3,169,046 |
| Due to other funds | 2,568,351 | - | - | - | - | - | 162,505 | 2,730,856 |
| Total Liabilities | 46,142,180 | 126 | 129,807 | 78,772 | - | - | 521,726 | 46,872,611 |
| FUND EQUITY | | | | | | | | |
| Retained earnings | - | 29,104 | 663,549 | 188,394 | - | 9,522,257 | - | 10,403,304 |
| Fund balance: | | | | | | | | |
| Restricted | 56,830,473 | - | - | - | - | - | - | 56,830,473 |
| Committed | 3,128,332 | - | - | - | - | - | - | 3,128,332 |
| Assigned | - | - | - | - | 4,273,391 | - | - | 4,273,391 |
| Uncommitted | 22,739,631 | - | - | - | - | - | - | 22,739,631 |
| Total Fund Equity | 82,698,436 | 29,104 | 663,549 | 188,394 | 4,273,391 | 9,522,257 | - | 97,375,131 |
| Total Liabilities and Fund Equity | \$ 128,840,616 | \$ 29,230 | \$ 793,356 | \$ 267,166 | \$ 4,273,391 | \$ 9,522,257 | \$ 521,726 | \$ 144,247,742 |

See accompanying note to the supplementary information.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
FOR THE YEAR ENDED JUNE 30, 2017**

| June 30, 2017 | General Fund | Bond Interest and Redemption Fund | Child Development Fund | Other Special Revenue Fund | Capital Outlay Projects Fund | Bond Construction Fund | Balance Forward |
|--|----------------------|-----------------------------------|------------------------|----------------------------|------------------------------|------------------------|----------------------|
| REVENUES | | | | | | | |
| Federal | \$ 1,833,085 | \$ - | \$ 11,186 | \$ - | \$ - | \$ - | \$ 1,844,271 |
| State | 125,225,822 | 64,229 | 26,684 | - | 401,653 | - | 125,718,388 |
| Local | 26,052,649 | 5,776,777 | 220,674 | 920,353 | 52,842 | 90,670 | 33,113,965 |
| Cost of sales | - | - | - | - | - | - | - |
| Total Revenues | 153,111,556 | 5,841,006 | 258,544 | 920,353 | 454,495 | 90,670 | 160,676,624 |
| EXPENDITURES | | | | | | | |
| Academic salaries | 29,121,566 | - | - | - | 27,363 | - | 29,148,929 |
| Classified salaries | 21,385,619 | - | 130,071 | - | 39,418 | - | 21,555,108 |
| Employee benefits | 21,088,307 | - | 60,365 | - | 6,076 | - | 21,154,748 |
| Supplies and materials | 1,958,562 | - | 10,207 | - | 581 | 1,201 | 1,970,551 |
| Other operating expenses | 68,833,073 | - | 14,281 | - | 53,991 | 162,337 | 69,063,682 |
| Capital outlay | 2,584,067 | - | 575 | - | 5,022,442 | 359,503 | 7,966,587 |
| Total Expenditures | 144,971,194 | - | 215,499 | - | 5,149,871 | 523,041 | 150,859,605 |
| EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES | 8,140,362 | 5,841,006 | 43,045 | 920,353 | (4,695,376) | (432,371) | 9,817,019 |
| OTHER FINANCING SOURCES | - | 4,047,462 | - | - | 2,674,888 | 41,815,000 | 48,537,350 |
| OTHER OUTGO | (6,244,886) | (4,804,176) | - | - | - | - | (11,049,062) |
| NET CHANGE IN FUND BALANCE | 1,895,476 | 5,084,292 | 43,045 | 920,353 | (2,020,488) | 41,382,629 | 47,305,307 |
| BEGINNING FUND BALANCE | 20,302,028 | 10,363,552 | 130,972 | (552,243) | 5,148,820 | - | 35,393,129 |
| ENDING FUND BALANCE | \$ 22,197,504 | \$ 15,447,844 | \$ 174,017 | \$ 368,110 | \$ 3,128,332 | \$ 41,382,629 | \$ 82,698,436 |

See accompanying note to the supplementary information.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
FOR THE YEAR ENDED JUNE 30, 2017**

| June 30, 2017 | Balance Brought Forward | Farm Operations Fund | Bookstore Fund | Cafeteria Fund | Self Insurance Fund | Retiree Benefit Fund | Financial Aid Fund | Total |
|--|-------------------------------|----------------------------|-------------------|-------------------|---------------------------|----------------------------|--------------------------|--------------------|
| REVENUES | | | | | | | | |
| Federal | \$ 1,844,271 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 24,581,436 | \$ 26,425,707 |
| State | 125,718,388 | - | - | - | - | - | 2,275,075 | 127,993,463 |
| Local | 33,113,965 | 21,769 | 2,557,718 | 1,754,107 | 183,871 | 101,803 | 560,909 | 38,294,142 |
| Cost of sales | - | - | (1,752,365) | (870,473) | - | - | - | (2,622,838) |
| Total Revenues | 160,676,624 | 21,769 | 805,353 | 883,634 | 183,871 | 101,803 | 27,417,420 | 190,090,474 |
| EXPENDITURES | | | | | | | | |
| Academic salaries | 29,148,929 | - | - | - | - | - | - | 29,148,929 |
| Classified salaries | 21,555,108 | 21,062 | 564,141 | 545,500 | - | - | - | 22,685,811 |
| Employee benefits | 21,154,748 | 577 | 220,413 | 152,651 | - | 3,500,000 | - | 25,028,389 |
| Supplies and materials | 1,970,551 | 5,772 | 13,799 | 9,052 | - | - | - | 1,999,174 |
| Other operating expenses | 69,063,682 | 1,756 | 159,072 | 121,665 | 9,000 | - | - | 69,355,175 |
| Capital outlay | 7,966,587 | 1,592 | 2,882 | - | - | - | - | 7,971,061 |
| Total Expenditures | 150,859,605 | 30,759 | 960,307 | 828,868 | 9,000 | 3,500,000 | - | 156,188,539 |
| EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | | | | | | |
| | 9,817,019 | (8,990) | (154,954) | 54,766 | 174,871 | (3,398,197) | 27,417,420 | 33,901,935 |
| OTHER FINANCING SOURCES | | | | | | | | |
| | 48,537,350 | - | - | - | - | 1,500,000 | - | 50,037,350 |
| OTHER OUTGO | | | | | | | | |
| | (11,049,062) | - | - | - | - | - | (27,417,420) | (38,466,482) |
| NET CHANGE IN FUND BALANCE | | | | | | | | |
| | 47,305,307 | (8,990) | (154,954) | 54,766 | 174,871 | (1,898,197) | - | 45,472,803 |
| BEGINNING FUND BALANCE | | | | | | | | |
| | 35,393,129 | 38,094 | 818,503 | 133,628 | 4,098,520 | 11,420,454 | - | 51,902,328 |
| ENDING FUND BALANCE | | | | | | | | |
| | \$ 82,698,436 | \$ 29,104 | \$ 663,549 | \$ 188,394 | \$ 4,273,391 | \$ 9,522,257 | \$ - | \$ 97,375,131 |

See accompanying note to the supplementary information.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF FUND EQUITY TO NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

| | | |
|--|---------------------|-----------------------|
| Total Fund Equity - District Funds Included in the Reporting Entity | | \$ 97,375,131 |
| Assets recorded within the statements of net position not included in the District fund financial statements: | | |
| Nondepreciable capital assets | \$ 9,817,695 | |
| Depreciable capital assets | 251,733,134 | |
| Accumulated depreciation | <u>(70,566,334)</u> | 190,984,495 |
| Net OPEB Asset | | 14,090,887 |
| Deferred outflows recorded within the statement of net position not included in the District fund financial statements: | | |
| Deferred loss on refunding | | 664,902 |
| Deferred outflows from pensions | | 13,600,482 |
| Liabilities recorded within the statements of net position not recorded in the District fund financial statements: | | |
| Net pension liability | | (64,999,162) |
| Long-term debt | | (126,754,604) |
| Unmatured Interest | | (1,633,229) |
| Deferred inflows recorded within the statement of net position not included in the District fund financial statements: | | |
| Deferred inflows of resources | | <u>(6,195,134)</u> |
| Net Position Reported Within the Statements of Net Position | | <u>\$ 117,133,768</u> |

See accompanying note to the supplementary information.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF CHANGE IN FUND EQUITY TO CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

| | |
|--|--------------------------------|
| Change in Fund Equity - District Funds Included in the Reporting Entity | \$ 45,472,803 |
| Depreciation expense | (5,652,230) |
| Accretion of general obligation bonds | (229,021) |
| Accrued interest reported | 55,667 |
| Amortization of bond premiums | 952,461 |
| Interest expense from deferred loss on refunding | (51,146) |
| Capital outlay expense | 6,709,809 |
| Pension related activity | (1,887,575) |
| Other postemployment benefits | 700,345 |
| Principal Payments on debt | 3,460,692 |
| Proceeds for issuance of long-term debt | <u>(46,167,582)</u> |
| Change in Net Position Reported Within the Statement of Revenues, Expenses, and Changes in Net Position | \$ <u>3,364,223</u> |

See accompanying note to the supplementary information.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 – PURPOSE OF SCHEDULES

A. District Organizational Structure

This schedule provides information about the District's boundaries and schools operated members of the governing board, and members of the administration.

B. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

C. Schedule of Revenues and Expenditures of State Awards

The accompanying schedule of expenditures of state awards includes the state grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

D. Schedule of Workload Measures for State General Apportionment – Annual/Actual Attendance

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to community college districts. This schedule provides information regarding the attendance of students throughout the District.

E. Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the fund financial statements.

F. Reconciliation of the ECS 84632 (50 Percent Law) Calculation

This schedule reports any audit adjustments made to the reported data to ensure that a minimum of 50 percent of the District's current expense of education is expended for salaries of classroom instructors.

G. Details of the Education Protection Account

This schedule reports the District revenue and expenditure classification of the Proposition 30 Education Protection Account funds.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 – PURPOSE OF SCHEDULES, continued

H. Combining Balance Sheet

This schedule provides a balance sheet detail of all District funds included in the government-wide financial reporting entity.

I. Combining Statement of Revenues, Expenditures and Changes in Fund Equity

This schedule provides revenues, expenditures, and changes in fund equity detail for all District funds included in the government-wide financial reporting entity.

J. Reconciliation of Fund Equity to Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

K. Reconciliation of Change in Fund Equity to the Change in Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

**OTHER INDEPENDENT
AUDITORS' REPORTS**



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees
Butte-Glenn Community College District
Oroville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Butte-Glenn Community College District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Butte-Glenn Community College District's basic financial statements, and have issued our report thereon dated November XX, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Butte-Glenn Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 7, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Trustees
Butte-Glenn Community College District
Oroville, California

Compliance

We have audited Butte-Glenn Community College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Butte-Glenn Community College District's major federal programs for the year ended June 30, 2017. Butte-Glenn Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Butte-Glenn Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Butte-Glenn Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Butte-Glenn Community College District's compliance.

Opinion on Each Major Federal Program

In our opinion, Butte-Glenn Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Butte-Glenn Community College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Butte-Glenn Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Butte-Glenn Community College District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 7, 2017



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

The Board of Trustees
Butte-Glenn Community College District
Oroville, California

Report on State Compliance

We have audited Butte-Glenn Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2016-17*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on Butte-Glenn Community College District's compliance with the requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual (CDAM) 2016-17*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about Butte-Glenn Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Butte-Glenn Community College District's compliance with those requirements.

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2017.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine Butte-Glenn Community College District's compliance with the state laws and regulations applicable to the following items:

- Section 421 – Salaries of Classroom Instructors (50 Percent Law)
- Section 423 – Apportionment for Instructional Service Agreements/Contracts
- Section 424 – State General Apportionment Funding System
- Section 425 – Residency Determination for Credit Courses
- Section 426 – Students Actively Enrolled
- Section 427 – Dual Enrollment of K-12 Students in Community College Credit Courses
- Section 428 – Student Equity
- Section 429 – Student Success and Support Program (SSSP)
- Section 430 – Scheduled Maintenance Program
- Section 431 – Gann Limit Calculation
- Section 435 – Open Enrollment
- Section 439 – Proposition 39 Clean Energy
- Section 440 – Intersession Extension Program
- Section 475 – Disabled Student Programs and Services (DSPS)
- Section 479 – To Be Arranged Hours (TBA)
- Section 490 – Proposition 1D State Bond Funded Projects
- Section 491 – Proposition 55 Education Protection Account Funds

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2016-17*. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 7, 2017

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Section I – Summary of Auditors’ Results

FINANCIAL STATEMENTS

| | |
|--|----------------------|
| Type of auditors' report issued: | <u>Unqualified</u> |
| Internal control over financial reporting: | |
| Material weaknesses identified? | <u>No</u> |
| Significant deficiencies identified not considered to be material weaknesses? | <u>None reported</u> |
| Non-compliance material to financial statements noted? | <u>No</u> |

FEDERAL AWARDS

| | |
|--|----------------------|
| Internal control over major programs: | |
| Material weaknesses identified? | <u>No</u> |
| Significant deficiencies identified not considered to be material weaknesses? | <u>None reported</u> |
| Type of auditors' report issued on compliance for major programs: | <u>Unmodified</u> |
| Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards | <u>No</u> |
| Identification of major programs: | |

| | |
|---------------------------------------|---|
| <u>CFDA Numbers</u> | <u>Name of Federal Program of Cluster</u> |
| 84.007, 84.032, 84.033 84.063, 84.375 | Student Financial Aid Cluster |

| | |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 750,000</u> |
| Auditee qualified as low-risk auditee? | <u>Yes</u> |

STATE AWARDS

| | |
|--|-----------------|
| Internal control over State programs: | |
| Material weaknesses identified? | <u>No</u> |
| Significant deficiencies identified not considered to be material weaknesses? | <u>Yes</u> |
| Type of auditors' report issued on compliance for State programs: | <u>Modified</u> |

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings or questioned costs identified during 2016-17.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Uniform Guidance.

There were no federal award findings or questioned costs identified during 2016-17.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs identified during 2016-17.

**BUTTE-GLENN COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no findings or questioned costs identified during 2015-16.