CITRUS COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

CITRUS COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Citrus Community College District
Glendora, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Citrus Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We 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, and the 2016-2017 *Contracted District Audit Manual*, 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 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 District'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 District'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 to the financial statements, in 2017, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 16 and other required supplementary schedules on pages 63 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying unaudited supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 29, 2017

Citrus College

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the Citrus Community College District (the District) for the year ended June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The District's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statements No. 34 and 35 using the Business Type Activity (BTA) model. The California Community Colleges Chancellor's Office, through its Fiscal Standards and Accountability Committee, recommends that all community college districts use the reporting standards prescribed by the BTA model.

The District is a public two-year community college located in Glendora, California in the Foothills of the San Gabriel Mountains. The District, which serves the communities of Azusa, Claremont, Duarte, Glendora and Monrovia, was founded in 1915 and served an unduplicated headcount of approximately 20,200 students in 2016-2017.

Citrus College provides innovative educational opportunities and student support services that lead to the successful completion of degrees, transfer, career/technical education and basic skills proficiency. The college fosters personal and professional success through the development of critical thinking, effective communication, creativity, and cultural awareness in a safe, accessible and affordable learning community. In meeting the needs of a demographically diverse student population, Citrus College embraces equity and accountability through measurable learning outcomes, ethical data-driven decisions and student achievement.

Selected Highlights

- The District's primary funding source is "apportionment" received from the State of California through the California Community Colleges Chancellor's Office. This funding is one component of the overall funding formula for California community colleges. The other components include the Education Protection Account, local property taxes, and student enrollment fees. For the year ended June 30, 2017, the student enrollment fee assessed to students was $46 per unit. The primary basis of this apportionment funding is the calculation of Full-Time Equivalent Students (FTES). The College's total apportionment eligible credit and non-credit FTES reported for the 2016-2017 fiscal year was 11,468 and 333, respectively. This represents an overall increase in FTES of 0.15 percent over the 2015-2016 fiscal year.

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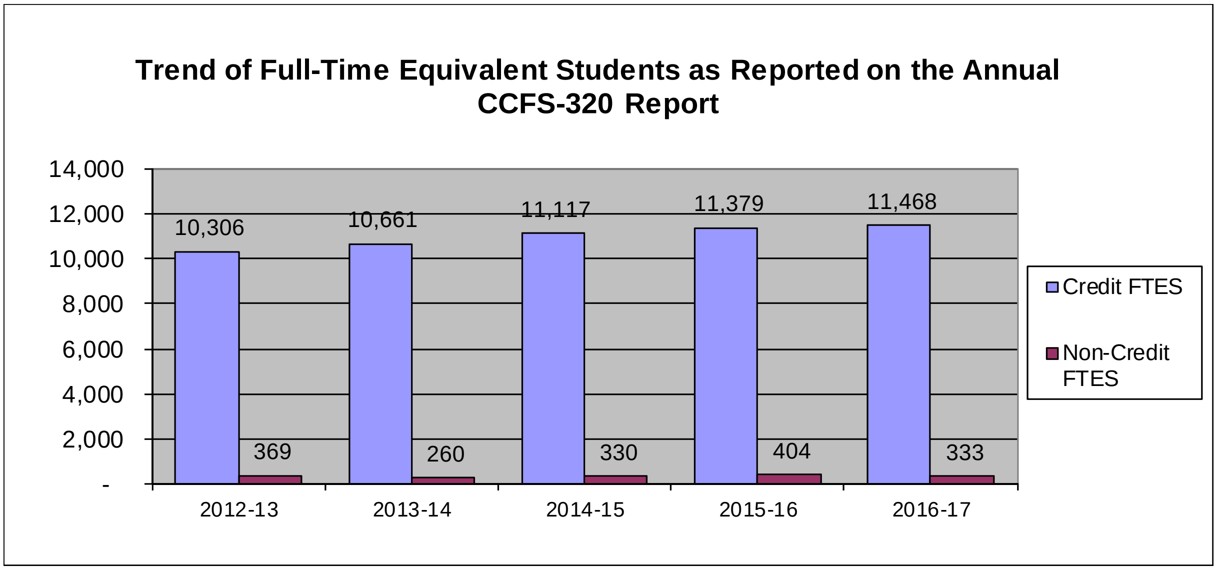


- The District completed construction on the new Visual Arts building, a three-story, 36,938 square foot facility, funded by the Measure G general obligation bond measure approved by voters in 2004. The District also completed a number of roofing projects funded with State scheduled maintenance funding. In addition, significant progress was made toward completion of the Hayden Hall modernization project during the year.

Financial Highlights

The purpose of this section is to provide an overview of the District's financial activities. A comparative analysis is included in the Management's Discussion and Analysis using prior year information. For comparative purposes, certain prior year amounts have been reclassified for presentation purposes, to follow current year classifications.

Financial Statement Presentation and Basis of Accounting

The District's financial report includes three financial statements: The Statement of Net Position, the Statement of Revenues, Expenses, and Change in Net Position and the Statement of Cash Flows. Additional information regarding these financial statements is provided on the following pages.

The financial statements noted above are prepared in accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, providing an entity-wide perspective of the District's financial position. Therefore, the financial data presented in these financial statements is a combined total of all District funds, including Student Financial Aid Programs. Excluded from the combined, entity-wide financial statements are the following District auxiliary funds as they are fiduciary in nature: Associated Students Fund, Departmental Trust Fund, and the Student Representation Fee Fund. These funds are presented separately, in the Fiduciary Funds financial section of the audit report. The Associated Students Fund is used to account for funds held in trust by the District for the organized student body association (ASCC) including campus clubs. The Departmental Trust Fund is used to account for funds held in trust by the District on behalf of students, clubs, donors and departments for outside student scholarships and departmental fundraising activities. The Student Representation Fee Fund is used to account for a $1.00 student representation fee assessed to students and used for student advocacy activities on behalf of the community college system.

Also, in accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. A reconciliation between individual fund balances reported on the June 30, 2017 Annual Financial and Budget Report (CCFS-311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown in the supplementary information section of the audit report.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities and net position of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position is a point in time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Lastly, the Statement of Net Position provides a picture of the net position by category of availability.

The difference between total assets and total liabilities (net position) is one indicator of the current financial condition of the District. The Change in Net Position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The Net Position balance is divided into three major categories. The first category, invested in capital assets, provides the equity amount in property, plant and equipment owned by the District. The second category is expendable restricted net position. This net position is available for expenditure by the District, but must be spent for purposes as determined by external entities or donors that have placed time or purpose restrictions on the use of these funds. The final category, unrestricted net position, represents the remaining net position balance. Beginning in 2014-2015, the District implemented GASB Statement No. 68 which requires that the District record its proportionate share of the CalSTRS and CalPERS aggregate net pension obligation and related adjustments. Accordingly, as of June 30, 2017, the District's aggregate net pension obligation and related adjustments, for GASB purposes, totaled $59.9 million. As a result, the District's unrestricted net position, for reporting purposes, amounts to a negative $24.5 million.

The Statement of Net Position as of June 30, 2017 and 2016 is summarized below:

	(in thousands)	
	2017	**2016**
ASSETS		
Current Assets		
Cash, cash equivalents, and investments	$ 59,995	$ 60,383
Receivables	8,788	5,162
Inventory and other assets	1,030	1,156
Total Current Assets	69,813	66,701
Noncurrent Assets		
Other postemployment benefit (OPEB) asset	9,834	7,288
Capital assets, net	127,451	127,817
Total Noncurrent Assets	137,285	135,105
TOTAL ASSETS	207,098	201,806
DFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	7,083	7,235
Deferred outflows related to pensions	15,248	6,211
Total Deferred Outflows of Resources	22,331	13,446
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	7,308	10,081
Unearned revenue	4,001	4,497
Compensated absences - current portion	500	591
Bonds payable - current portion	1,770	2,625
Total Current Liabilities	13,579	17,794
Noncurrent Liabilities		
Long-term liabilities less current portion	180,950	167,361
Total Noncurrent Liabilities	180,950	167,361
TOTAL LIABILITIES	194,529	185,155
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	4,591	8,292
NET POSITION		
Net investment in capital assets	31,434	24,511
Restricted	23,340	19,774
Unrestricted	(24,465)	(22,480)
TOTAL NET POSITION	$ 30,309	$ 21,805

- The increase in receivables is due from the U.S. Department of Education for student financial aid disbursed to students. During 2016-2017, additional aid was awarded and disbursed to students but due to the timing of reimbursement from the Federal government, remained outstanding as a receivable to the District at June 30, 2017.

- The decrease in inventory and other assets is due to an overall decrease in the stores inventory maintained by the Owl Bookshop. During the 2016-2017 academic year, the Bookshop worked closely with faculty to update and reduce its existing book inventory. In addition, a cumulative write-off of inventory was conducted to update the Bookshop's inventory in alignment with the District's current academic program.

- The increase in the other postemployment benefit (OPEB) asset is primarily due to a cumulative change in the District's irrevocable trust assets, an increase in the value of the District's overall trust, as well as additional pay-as-you-go contributions for retiree health benefits.

- The deferred outflows and deferred inflows related to pension accounts are attributed to GASB standards that require the District to recognize a proportionate share of the State's total pension liability for CalSTRS and CalPERS. Both CalSTRS and CalPERS took action to lower their plan return on investment, thus increasing the respective unfunded liability in each plan. In other words, the total State pension liabilities are increasing at a more significant pace than the total State pension assets.

- Accounts payable and accrued liabilities decreased by approximately $2.8 million due to the clearing of salary and benefits payable accrued in previous years and subsequently paid out, as well as a decrease in construction commitments payable due primarily to the completion of the Visual Arts building.

- The decrease in unearned revenue is due to a reduction in the amount of deferred student enrollment fees, resulting from a change in the payment due dates for student registration fees for the Summer academic term, and a reduction in unearned revenues for capital outlay projects due to the substantial progress made to complete the following State scheduled maintenance and Prop 39 energy projects: Phase 4 Retro-commissioning, Recording Arts building lighting and mechanical equipment replacement, and a xeriscaping project.

- The decrease in the current portion of compensated absences is a result of concerted efforts to encourage the use of accumulated vacation time earned by employees. During the summer months of July and August 2017, there was an increase in the usage of employee vacation time. Also contributing to the overall decrease in the current portion of compensated absences was an overall decrease in the accumulated balances of faculty load banked hours.

- The decrease in the current portion of bonds payable is related to the payoff of the District's Measure G General Obligation Bond, Series B issuance. The final debt service payment on the Series B bond, in the amount of $1.4 million, was made during the 2015-2016 year.

Statement of Revenues, Expenses, and Change in Net Position

Change in total net position as presented on the Statement of Net Position is based on the activity presented in the Statement of Revenues, Expenses, and Change in Net Position. The purpose of this statement is to present the operating and nonoperating revenues earned, whether received or not by the District, the operating and nonoperating expenses incurred, whether paid or not by the District, and any other revenues, expenses, gains or losses earned or incurred by the District. Thus, this statement presents the District's results of operations.

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. Nonoperating revenues are those received or pledged for which goods and services are not provided; for example, State appropriations are nonoperating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

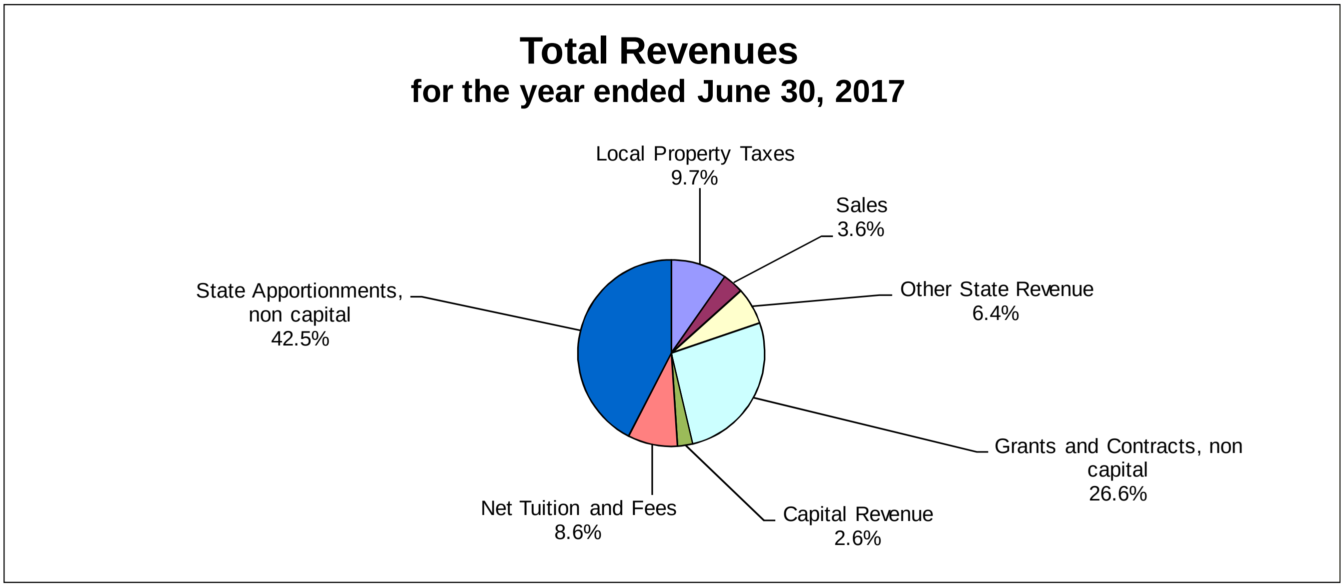
The Statement of Revenues, Expenses, and Change in Net Position for the years ended June 30, 2017 and 2016 is summarized below:

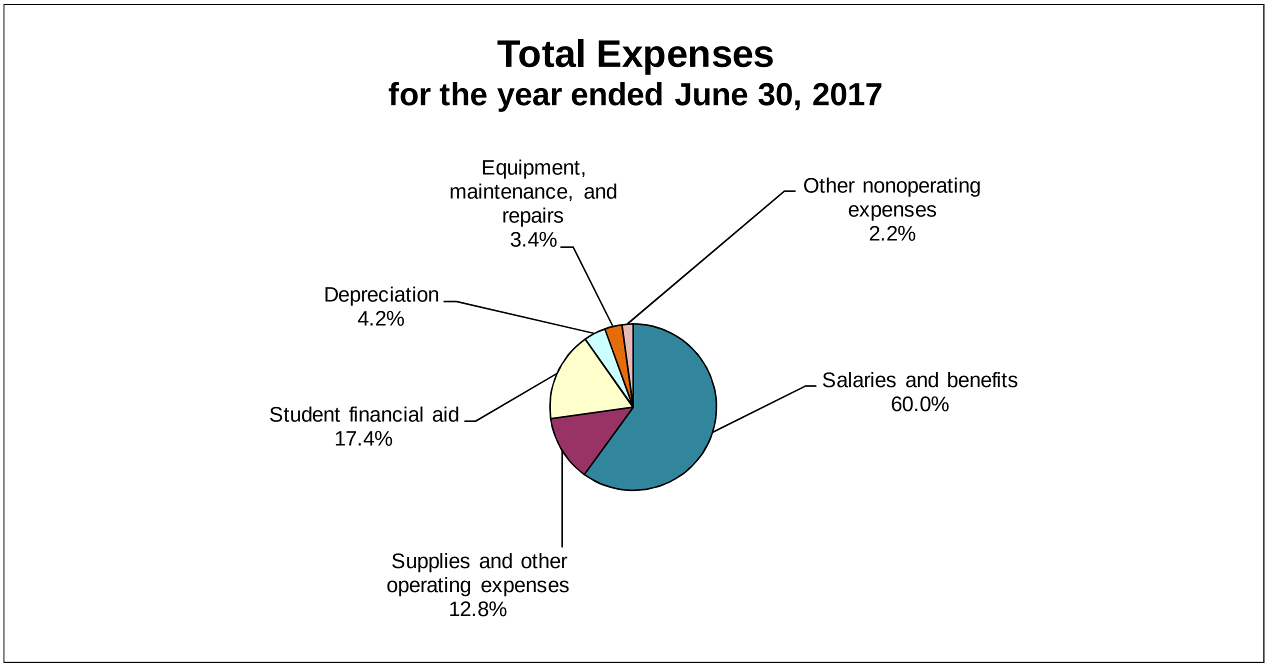
	(in thousands)	
	2017	**2016**
Operating Revenues		
Net tuition and fees	$ 11,026	$ 10,419
Sales	4,629	4,523
Total Operating Revenues	15,655	14,942
Total Operating Expenses	117,125	108,525
Operating Loss	(101,470)	(93,583)
Nonoperating Revenues (Expenses)		
State apportionments, non-capital	54,161	54,547
Local property taxes	12,410	9,937
Grants and contracts, non-capital	33,912	32,634
State taxes and other nonoperating revenues	8,169	8,871
Investment income (expense), net	(1,858)	(4,262)
Other nonoperating revenues (expenses), net	(158)	77
Total Nonoperating Revenues (Expenses)	106,636	101,804
Other Revenues		
State revenue, capital	3,338	3,603
Change in Net Position	8,504	11,824
Net Position, beginning of year	21,805	9,981
Net Position, end of year	$ 30,309	$ 21,805

- The increase in local property taxes is primarily due to an increase in the amount of taxes levied by the County Assessor's Office, on the District's behalf, for general apportionment purposes and for debt service purposes related to the repayment of the District's Measure G General Obligation Bond, approved by the voters in 2004.

- The investment income (expense) account is used to account for interest income earned in the Los Angeles County Educational Investment Pool. The increase in this account is due to an increase in the District's average cash balance and the interest rate received from the County pool.

- Other nonoperating revenues (expenses) primarily consist of debt service obligation payments related to the Measure G General Obligation Bond. This account represents the annual payment obligations required to repay the bonded indebtedness on the Measure G bonds. The District, through the funds assessed and collected via the County Assessor's Office, has made all debt service payments in accordance with the established debt schedule for each of its bond issuances.





Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due and determine the need for external financing.

The Statement of Cash Flows is 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 nonoperating, noninvesting, and noncapital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Change in Net Position.

A summarized Statement of Cash Flows for the years ended June 30, 2017 and 2016 is presented below:

	(in thousands)	
	2017	**2016**
Cash Provided By (Used in)		
Operating activities	$ (98,815)	$ (89,668)
Noncapital financing activities	98,981	103,255
Capital financing activities	(867)	(11,778)
Investing activities	313	149
Net increase (decrease) in cash and cash equivalents	(388)	1,958
Cash balance, beginning of year	60,383	58,425
Cash balance, end of year	$ 59,995	$ 60,383

- Net cash used in capital financing activities had an overall decrease of $10.9 million. This is primarily due to construction in progress. During 2015-2016, the Visual Arts building project reached substantial completion. This project was a new building project and represented the District's last new building construction project under the Measure G construction bond program. Beginning in 2016-2017, the District's ongoing construction projects consist solely of modernization projects and therefore require less outflow of cash.

- Net cash provided by investing activities increased by approximately $164,000 due to an increase in the District's average cash balance and the interest rate earned from the Los Angeles County Educational Investment Pool.

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, donors and departments for scholarships and fundraising. The District's fiduciary activities for the Associated Students Fund, Departmental Trust Fund, and the Student Representation Fee Fund are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2017, the District had $127.5 million invested in net capital assets. Total capital assets of $215.4 million consist of land; buildings and building improvements, including capitalized interest; construction in progress; vehicles; data processing equipment; and other office equipment. Accumulated depreciation related to these assets was $87.9 million.

Capital additions are primarily comprised of replacement or renovation of facilities, site improvement projects as well as significant investments in equipment. The District's construction projects in progress at June 30, 2017 included Hayden Hall, the Technology D Building Engine Dynamometer project, the Phase 4 Retro-commissioning project, the Recording Arts Building lighting and mechanical equipment replacement project, a xeriscaping project, and a District-wide technology cabling project.

Note 7 to the financial statements provides additional information on capital assets. A summary of capital assets, net of depreciation, is presented below:

	(in thousands)	
	2017	**2016**
Land and Improvements	$ 1,565	$ 1,642
Buildings and Improvements	119,111	107,005
Equipment	3,163	2,246
Construction in Progress	3,612	16,924
Net Capital Assets	$ 127,451	$ 127,817

Debt Administration

On March 2, 2004, a General Obligation Bond was passed by the voters of the Citrus Community College District. The total authorization was $121 million. The first series for $22 million was issued on August 25, 2004, and was scheduled to mature on August 1, 2029. The second series for $40 million was issued on April 10, 2007, and will mature on June 1, 2031. The third series for $30 million was issued on June 10, 2009, and will mature on June 1, 2034. On April 24, 2013, the District issued 2004 Election, 2013 Refunding Bonds for $13 million which will mature on August 1, 2029. The fourth series, for approximately $19 million, was issued on June 11, 2015, and will mature on August 1, 2038. On March 10, 2015, the District issued General Obligation Refunding Bonds, 2015 Series A for $49 million to refund certain portions of the District's General Obligation 2004 Election Bond, 2007 Series B and 2009 Series C. These bonds will mature on August 1, 2031. With that same issuance, the District also issued 2015 Series E Bonds in the amount of $10 million, maturing on August 1, 2035. As of June 30, 2017, the District's long-term obligation related to the bonds equals $109.9 million. The District continues to maintain favorable bond ratings with Moody's and Standard & Poor's of Aa2 and AA-, respectively.

Note 10 to the financial statements provides additional information on long-term obligations. A summary of long-term obligations is presented below:

	(in thousands) 2017	2016
Long-Term Obligation		
General Obligation Bonds Payable	$ 109,858	$ 112,085
Net Pension Liability	70,563	56,745
Group Term Life Insurance Liability	798	691
Compensated Absences	2,001	1,956
Total Long-Term Obligation	183,220	171,477
Less Current Portion	(2,270)	(2,625)
Total Long-Term Portion	$ 180,950	$ 168,852

Economic Factors that May Affect the Future

There are several long-term fiscal planning considerations and budget concerns that will impact the District's future fiscal situation.

- The Governor and local economists continue to emphasize the likelihood of an inevitable recession and caution community college districts to exercise fiscal prudence. This current economic recovery period is the third longest in history and is only two years shy of the longest recovery period on record.

- The increases in the California Public Employees' Retirement System (PERS) and California State Teachers' Retirement System (STRS) employer contribution rates, reaching 28.2 percent and 19.1 percent, respectively, by the fiscal year 2023-2024, will have a significant impact on the District's operations. The following table shows the corresponding rates and increases per year, as projected by School Services of California. The total future minimum cumulative cost impact to the District is estimated to be in excess of $3 million.

PERS	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
PERS Old Rate	15.53%	18.70%	21.60%	24.90%	26.40%	27.40%
Estimated Increase	3.17%	2.90%	3.30%	1.50%	1.00%	0.80%
PERS New Rate	18.70%	21.60%	24.90%	26.40%	27.40%	28.20%
STRS	**2018-2019**	**2019-2020**	**2020-2021**	**2021-2022**	**2022-2023**	**2023-2024**
STRS Old Rate	14.43%	16.28%	18.13%			
Estimated Increase	1.85%	1.85%	0.97%			
STRS New Rate	16.28%	18.13%	19.10%			

It is important to note that the table above only includes STRS employer contribution rates as currently set in statute. The STRS Board cannot change these rates until after 2020-2021, at which time the STRS

Board will have the ability to change the employer contribution rates, similar to the authority the PERS Board currently has in place.

- The District's overall healthcare costs continue to rise. The District offers the following health and welfare benefits to all benefit-eligible employees and retirees, as well as their eligible dependents: Kaiser HMO or Blue Shield PPO Medical Coverage; Blue Shield Dental Coverage; VSP Vision Coverage; and Hartford Group Term/AD&D Life Insurance. The District currently expends over $10 million to fully fund the health and welfare benefits program provided to employees, eligible retirees, and all eligible dependents.

- With the majority of general apportionment revenue augmentations tied to the condition of generating Growth/Access FTES at a certain level, the District will need to closely monitor its FTES-generating strategies, in conjunction with its State-established growth target, to ensure that the budget assumptions for FTES generation are sustainable. Approximately 92 percent of the District's total apportionment revenue is directly tied to FTES.

Management will continue to closely monitor the State budget information, maintain a close watch over resources, and continue monitoring its long-range financial projections to sustain the District's ability to react to internal and external issues.

Other than the concerns discussed above, the District is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this current fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need any additional information, please contact the Vice President of Finance and Administrative Services, Citrus Community College District, 1000 West Foothill Boulevard, Glendora, CA 91741.

CITRUS COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2017

ASSETS	
Current Assets	
Cash and cash equivalents - unrestricted	$ 1,936,558
Cash and cash equivalents - restricted	456,515
Investments - unrestricted	21,164,345
Investments - restricted	36,438,154
Accounts receivable	8,787,633
Stores inventories	1,030,262
Total Current Assets	69,813,467
Noncurrent Assets	
Net other postemployment benefit (OPEB) asset	9,833,653
Nondepreciable capital assets	4,669,180
Depreciable capital assets, net of depreciation	122,782,115
Total Noncurrent Assets	137,284,948
Total Assets	207,098,415
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	7,083,509
Deferred outflows of resources related to pensions	15,247,911
Total Deferred Outflows of Resources	22,331,420
LIABILITIES	
Current Liabilities	
Accounts payable	5,922,541
Accrued interest payable	1,386,088
Unearned revenue	4,001,186
Compensated absences and load banking	499,669
Bonds payable	1,770,000
Total Current Liabilities	13,579,484
Noncurrent Liabilities	
Compensated absences	1,501,681
Group-term life insurance	798,000
Bonds payable	108,087,478
Aggregate net pension obligation	70,562,727
Total Noncurrent Liabilities	180,949,886
Total Liabilities	194,529,370
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	4,590,989
NET POSITION	
Net investment in capital assets	31,434,236
Restricted for:	
Debt service	1,277,794
Capital projects	20,974,569
Educational programs	1,088,148
Unrestricted	(24,465,271)
Total Net Position	$ 30,309,476

The accompanying notes are an integral part of these financial statements.

CITRUS COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES	
Student Tuition and Fees	$ 20,189,958
Less: Scholarship discounts and allowances	(9,163,637)
Net tuition and fees	11,026,321
Auxiliary Enterprise Sales and Charges	
Bookstore	4,056,330
Cafeteria	419,013
Golf Driving Range	153,691
Auxiliary enterprise sales and charges	4,629,034
TOTAL OPERATING REVENUES	15,655,355
OPERATING EXPENSES	
Salaries	52,104,921
Employee benefits	19,695,121
Supplies, materials, and other operating expenses and services	15,327,375
Student financial aid	20,873,711
Equipment, maintenance, and repairs	4,037,661
Depreciation	5,086,631
TOTAL OPERATING EXPENSES	117,125,420
OPERATING LOSS	(101,470,065)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	54,160,657
Local property taxes, levied for general purposes	6,529,201
Taxes levied for other specific purposes	5,880,587
Federal grants and contracts, noncapital	20,396,611
State grants and contracts, noncapital	13,514,716
State taxes and other revenues	4,050,311
Investment income	551,267
Interest expense on capital related debt	(2,419,096)
Investment income on capital asset-related debt, net	10,699
Transfers from fiduciary funds	2,316
Transfers to fiduciary funds	(159,335)
Other nonoperating revenues	4,118,961
TOTAL NONOPERATING REVENUES (EXPENSES)	106,636,895
INCOME BEFORE OTHER REVENUES	5,166,830
OTHER REVENUES	
State revenues, capital	3,337,711
CHANGE IN NET POSITION	8,504,541
NET POSITION, BEGINNING OF YEAR	21,804,935
NET POSITION, END OF YEAR	$ 30,309,476

The accompanying notes are an integral part of these financial statements.

CITRUS COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 10,398,684
Auxiliary sales	4,702,146
Payments to or on behalf of employees	(72,204,015)
Payments to vendors for supplies and services	(20,838,103)
Payments to students for scholarships and grants	(20,873,711)
Net Cash Flows From Operating Activities	(98,814,999)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	53,273,688
Property taxes - nondebt related	6,529,201
Grants and contracts	32,741,365
State taxes and other revenues	2,301,833
Other nonoperating revenues	4,135,032
Net Cash Flows From Noncapital Financing Activities	98,981,119
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(4,720,690)
State revenue, capital projects	3,337,711
Property taxes - related to capital debt	5,880,587
Proceeds from capital debt	1,289,489
Principal paid on capital debt	(3,516,544)
Interest paid on capital debt	(3,148,231)
Interest received on capital asset-related debt	10,699
Net Cash Flows From Capital Financing Activities	(866,979)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	313,665
NET CHANGE IN CASH AND CASH EQUIVALENTS	(387,194)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	60,382,766
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 59,995,572

The accompanying notes are an integral part of these financial statements.

CITRUS COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (101,470,065)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	5,086,631
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Accounts receivable	(505,869)
Stores inventories	123,509
Prepaid expenses	2,475
Net other postemployment benefit (OPEB) asset	(2,545,303)
Accounts payable and accrued liabilities	(1,891,857)
Unearned revenue	254,338
Compensated absences	45,478
Group term life insurance liability	798,000
Aggregate net pension obligation	14,025,431
Deferred outflows of resources related to pensions	(9,036,911)
Deferred inflows of resources related to pensions	(3,700,856)
Total Adjustments	2,655,066
Net Cash Flows From Operating Activities	$ (98,814,999)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 2,393,073
Cash in county treasury	57,602,499
Total Cash and Cash Equivalents	$ 59,995,572
NON CASH TRANSACTIONS	
On behalf payments for benefits (see Note 13)	$ 2,617,845

The accompanying notes are an integral part of these financial statements.

CITRUS COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	Retiree OPEB Trust	Trust Funds
ASSETS		
Cash and cash equivalents	$ -	$ 1,581,900
Investments	12,499,668	631,571
Accounts receivable	-	34,377
Prepaid expenses	-	4,081
Total Assets	12,499,668	2,251,929
LIABILITIES		
Accounts payable	-	43,446
Unearned revenue	-	48,100
Due to student groups	-	1,328,795
Total Liabilities	-	1,420,341
NET POSITION		
Restricted for postemployment benefits other than pensions	12,499,668	-
Unrestricted	-	831,588
Total Net Position	$ 12,499,668	$ 831,588

The accompanying notes are an integral part of these financial statements.

CITRUS COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Retiree OPEB Trust	Trust Funds
ADDITIONS		
Local revenues	$ -	$ 1,655,659
Interest and investment income	398,474	-
Net realized and unrealized gains	581,147	-
Total Additions	979,621	1,655,659
DEDUCTIONS		
Classified salaries	-	360,674
Employee benefits	-	84,036
Books and supplies	-	244,740
Services and other operating expenditures	-	622,051
Capital outlay	-	261,058
Administrative expenses	95,411	-
Total Deductions	95,411	1,572,559
OTHER FINANCING SOURCES (USES)		
Transfers from primary government	-	159,335
Transfers to primary government	-	(2,316)
Other uses	-	(127,014)
Total Other Financing Sources (Uses)	-	30,005
Change in Net Position	884,210	113,105
Net Position - Beginning of Year	11,615,458	718,483
Net Position - End of Year	$ 12,499,668	$ 831,588

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION

The Citrus Community College District (the District) is a comprehensive, public, two-year institution offering higher education in the County of Los Angeles in the State of California and is governed by an elected Board of Trustees. The District is comprised of one campus, Citrus College. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled or has the ability to otherwise access are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District. The District has the following component unit:

Citrus Community College District Futuris Trust

The Citrus Community College District Futuris Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the Citrus Community College District Retirement Board of Authority as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California *Government Code* Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

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 and as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective which was previously reported. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. 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, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, such as State apportionments, property taxes, grants, entitlements, and donations, are classified as nonoperating revenue. Federal and State grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants. Eligibility requirements may include time and/or purpose requirements. Property tax revenues are recognized in the fiscal year in which they are received. State apportionment revenue is earned based upon criteria set forth from the California Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES). The corresponding apportionment revenue is recognized in the period the FTES are generated.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

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, No. 38, No. 39, and No. 61. 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:
  - Statement of Net Position - Primary Government
  - Statement of Revenues, Expenses, and Change in Net Position - Primary Government
  - Statement of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statement of Fiduciary Net Position
    - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of one year or less from the date of acquisition. Cash equivalents also include unrestricted cash with the County treasury for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2017 are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Investments

Restricted investments arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted investments represent those required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Accounts Receivable

Accounts receivable include amounts due from Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist 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. The District does not record an allowance for uncollectible accounts because collectability of the receivables from such sources is probable. When receivables are determined to be uncollectible, a direct write-off is recorded.

Prepaid Expenses

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

Stores Inventories

Stores inventories consist primarily of bookstore merchandise held for resale to the students and faculty of the colleges. In addition, the District warehouse holds some inventory of paper and office supplies for daily operational needs. Inventories are stated at cost, utilizing the average cost method. The cost is recorded as an expense as the inventory is consumed.

Accrued Liabilities and Long-Term Obligations

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

Debt Issuance Costs, Premiums, and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the deferred charges on the refunding of general obligation bonds and for pension related items. Deferred charges on refunding are amortized using the straight-line method over the remaining life of the new debt.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

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

Capital Assets and Depreciation

Capital assets are stated at cost at the date of acquisition or fair value at the date of gift. The District's capitalization policy includes all items with a unit cost of $5,000 (for equipment) and an estimated useful life of greater than one year. Buildings, renovations to buildings, infrastructure, and land improvements that cost more than $5,000, significantly increase the value, or extend the useful life of the structure, are capitalized. Routine repair and maintenance costs are charged to operating expenses in the year in which the expense is incurred. Depreciation of equipment and vehicles, facilities, and other physical properties is provided using the straight-line method over the estimated useful lives of the respective assets, or in the case of assets acquired under capital leases, the shorter of the lease term or useful life. Costs for construction in progress are capitalized when incurred.

The following estimated useful lives are used to compute depreciation:

Land improvements	10-50 years
Buildings and improvements	10-50 years
Machinery and equipment	3-7 years

Unearned Revenue

Unearned revenue is recorded to the extent that cash received from Federal programs, State special projects, other programs, and fees, has not been earned.

Noncurrent Liabilities

Noncurrent liabilities include compensated absences, load banking, group term life insurance, bonds payable, and the aggregate net pension obligations with maturities greater than one year.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the entity-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive a 0.004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" which represents the difference between assets and liabilities. The net position is classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net position categories:

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets.

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report $23,340,511 of restricted net position.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and 35. Classifications are as follows:

> **Operating revenues -** Operating revenues include activities that have the characteristics of exchange transactions, such as, student tuition and fees, net of scholarship discounts and allowances, and sales and services of auxiliary enterprises.
>
> **Nonoperating revenues -** Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, property taxes, investment income, Federal, State, and local grants and contracts, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and 35.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

> **Operating expenses -** Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.
>
> **Nonoperating expenses -** Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year and are recorded in the District's financial records when received. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bonds in March 2004 for the acquisition, construction, and rehabilitation of facilities. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected by the County of Los Angeles and remitted to the District.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Change in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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.

Interfund Activity

Interfund transfers and interfund receivables and payables for governmental activities are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

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. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces GASB 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 GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* as amended, No. 43, and No. 50, *Pension Disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

GASB Statement No. 77, *Tax Abatement Disclosures*

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has implemented the provisions of this Statement as of June 30, 2017.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of GASB Statement No. 68 applied to the financial statements of all State and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a State or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of State or local governmental employers and to employees of employers that are not State or local governmental employers; and (3) has no predominant State or local governmental employer (either individually or collectively with other State or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14*

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment to GASB Statement No. 14*.

The District has implemented the provisions of this Statement as of June 30, 2017.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. 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 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of GASB 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. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement will become effective for the District in the 2017-2018 fiscal year. Early implementation is encouraged.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement will become effective for the District in the 2017-2018 fiscal year, and should be applied retroactively. Early implementation is encouraged.

GASB Statement No. 83, *Certain Asset Retirement Obligations*

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

GASB Statement No. 84, *Fiduciary Activities*

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

GASB Statement No. 85, *Omnibus 2017*

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement will become effective for the District in the 2017-2018 fiscal year. Early implementation is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement will become effective for the District in the 2017-2018 fiscal year. Early implementation is encouraged.

GASB Statement No. 87, *Leases*

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

NOTE 3 - DEPOSITS AND INVESTMENTS

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, 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 receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). The fair 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 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 are recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules 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	25%	10%
Negotiable Certificates of Deposit	5 years	30%	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

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 Deposits and Investments

Deposits and investments as of June 30, 2017 consisted of the following:

Primary government	$ 59,995,572
Fiduciary funds	14,713,139
Total Deposits and Investments	$ 74,708,711
Cash on hand and in banks	$ 2,394,779
Cash in revolving funds	63,000
Cash with fiscal agent	1,517,194
Investments	70,733,738
Total Deposits and Investments	$ 74,708,711

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Investment Pool and mutual funds.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Book Value	Fair Value	Weighted Average Days to Maturity
Los Angeles County Investment Pool	$ 58,234,070	$ 57,889,565	672
Mutual Funds	12,499,668	12,499,668	N/A
Total	$ 70,733,738	$ 70,389,233	

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 investments in the Los Angeles County Investment Pool are not required to be rated. However, as of June 30, 2017, the Los Angeles County Investment Pool reflected an AA+ rating by Standard and Poor's Rating Service.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, 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 of $2,640,680 was exposed to custodial credit risk because it was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements at June 30, 2017 were as follows:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
Los Angeles County Investment Pool	$ 57,889,565	$ -	$ 57,889,565
Mutual Funds	12,499,668	12,499,668	-
Total	$ 70,389,233	$ 12,499,668	$ 57,889,565

All assets have been valued using a market approach, with quoted market prices.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017 consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 4,693,569	$ -
State Government		
Apportionment	886,969	-
Categorical aid	164,828	-
Lottery	541,175	-
Other State sources	1,207,303	-
Local Sources		
Interest	237,602	90
Student fees	880,970	-
Other	175,217	34,287
Total	$ 8,787,633	$ 34,377

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds, respectively, has been eliminated in the consolidation process of the basic financial statements. Balances owing between the primary governmental and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2017, there were no amounts owed between the primary government and the fiduciary funds.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2017 fiscal year, the amount transferred to the primary government from the fiduciary funds amounted to $2,316, and the amount transferred to the fiduciary funds from the primary government amounted to $159,335.

NOTE 7 - CAPITAL ASSETS

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land	$ 1,057,317	$ -	$ -	$ 1,057,317
Construction in progress	16,923,918	4,789,051	18,101,106	3,611,863
Total Capital Assets Not Being Depreciated	17,981,235	4,789,051	18,101,106	4,669,180
Capital Assets Being Depreciated				
Land improvements	6,830,374	10,064	-	6,840,438
Buildings and improvements	167,877,612	17,351,184	-	185,228,796
Machinery and equipment	18,141,791	671,497	161,888	18,651,400
Total Capital Assets Being Depreciated	192,849,777	18,032,745	161,888	210,720,634
Total Capital Assets	210,831,012	22,821,796	18,262,994	215,389,814
Less Accumulated Depreciation				
Land improvements	6,245,004	87,321	-	6,332,325
Buildings and improvements	61,660,568	4,457,517	-	66,118,085
Machinery and equipment	15,108,204	541,793	161,888	15,488,109
Total Accumulated Depreciation	83,013,776	5,086,631	161,888	87,938,519
Net Capital Assets	$ 127,817,236	$ 17,735,165	$ 18,101,106	$ 127,451,295

Depreciation expense for the year was $5,086,631.

Interest expense on capital related debt for the year ended June 30, 2017 was $3,187,873. Of this amount, $768,777 was capitalized.

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017 consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	$ 3,275,745	$ 25,345
Construction	437,650	-
State categorical	376,915	-
Vendor payables	1,832,231	18,101
Total	$ 5,922,541	$ 43,446

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2017 consisted of the following:

	Primary Government	Fiduciary Funds
State categorical aid	$ 2,641,603	$ -
Other State revenues	253,637	-
Student fees	983,477	48,100
Other local revenues	122,469	-
Total	$ 4,001,186	$ 48,100

NOTE 10 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
Bonds Payable					
Series B	$ 1,410,000	$ -	$ 1,410,000	$ -	$ -
Series C	8,565,204	404,146	775,000	8,194,350	935,000
2013 Refunding	11,965,000	-	440,000	11,525,000	615,000
Series D	20,306,198	885,343	-	21,191,541	20,000
Series E	10,005,000	-	-	10,005,000	200,000
2015 Refunding	48,185,000	-	-	48,185,000	-
Unamortized premium	11,648,131	-	891,544	10,756,587	-
Total Bonds Payable	112,084,533	1,289,489	3,516,544	109,857,478	1,770,000
Other Liabilities					
Compensated absences and load banking	1,955,872	45,478	-	2,001,350	499,669
Group term life insurance liability	691,000	107,000	-	798,000	-
Aggregate net pension obligation	56,745,321	13,817,406	-	70,562,727	-
Total Other Liabilities	59,392,193	13,969,884	-	73,362,077	499,669
Total Long-Term Obligations	$ 171,476,726	$ 15,259,373	$ 3,516,544	$ 183,219,555	$ 2,269,669

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The compensated absences and load banking liability will be paid by the fund for which the employee worked. The group term life insurance liability will be paid by the General Fund. Pension expense related to the aggregate net pension obligation will be paid by the fund for which the employee worked. See Note 13 for further details of the aggregate net pension obligation. Payments related to OPEB obligations will be paid by the fund for which the employee worked.

Bonded Debt

Bonds Payable

On March 2, 2004, the voters of the District approved Measure G, which allowed the District to issue $121,000,000 of general obligation bonds to be used to finance the acquisition, construction, and modernization of certain property and District facilities.

Series B General Obligation Bonds

In April 2007, $40,000,000 of Citrus Community College District, Election of 2004, Series B Bonds were issued with an original final maturity date of June 1, 2031, and interest rates ranging from 4.25 percent to 5.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on December 1 and June 1 of each year. The bonds were partially refunded in 2013. The outstanding principal balance of these bonds was paid in full as of June 30, 2017.

Series C General Obligation Bonds

In June 2009, $29,995,302 of Citrus Community College District, Election of 2004, Series C Bonds were issued with a final maturity date of June 1, 2034. The bonds were issued as current interest bonds in the principal amount of $26,405,000 and capital appreciation bonds in the aggregate principal amount of $3,590,302. The bonds carry interest rates ranging from 3.00 percent to 5.25 percent, depending on the maturity of the related bonds. Interest is payable semiannually on December 1 and June 1 of each year. The outstanding principal balance of these bonds at June 30, 2017 was $8,194,350.

2013 General Obligation Refunding Bonds

On April 24, 2013, $13,130,000 of Citrus Community College District, 2013 General Obligation Refunding Bonds were issued to advance refund and defease a portion of the District's Election of 2004 General Obligation Bonds, Series A and to pay all legal, financial, and contingent costs in connection with the issuance of the Bonds. The bonds were issued with a final maturity date of August 1, 2029. Interest rates range from 2.00 percent to 5.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2017 was $11,525,000.

Series D General Obligation Bonds

On June 11, 2014, $18,997,251 of Citrus Community College District, Election of 2004, Series D Bond were issued with a final maturity date of August 1, 2038. The bonds were issued as current interest bonds in the principal amount of $620,000, capital appreciation bonds in the aggregate principal amount of $6,750,369, and convertible capital appreciation bonds in the aggregate principal amount of $11,626,882. The bonds carry interest rates ranging from 2.00 percent to 5.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2017 was $21,191,541.

Series E General Obligation Bonds

On March 10, 2015, $10,005,000 of Citrus Community College District, Election of 2004, Series E Bonds were issued with a final maturity date of August 1, 2035, and interest rates ranging from 2.50 percent to 3.50 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2017 was $10,005,000.

2015 General Obligation Refunding Bonds

On March 10, 2015, $48,685,000 of Citrus Community College District, 2015 General Obligation Refunding Bonds were issued to advance refund and defease a portion of the District's Election of 2004 General Obligation Bonds, Series B and Series C, and to pay all legal, financial, and contingent costs in connection with the issuance of the Bonds. The bonds were issued with a final maturity date of August 1, 2031. Interest rates range from 2.00 percent to 5.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2017 was $48,185,000.

The outstanding general obligation bonded debt was as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2017
2007	2017	4.25-5.00%	$ 40,000,000	$ 1,410,000	$ -	$ 1,410,000	$ -
2009	2034	3.00-5.25%	29,995,302	8,565,204	404,146	775,000	8,194,350
2013	2030	2.00-5.00%	13,130,000	11,965,000	-	440,000	11,525,000
2014	2039	2.00-5.00%	18,997,251	20,306,198	885,343	-	21,191,541
2015	2036	2.50-3.50%	10,005,000	10,005,000	-	-	10,005,000
2015	2032	2.00-5.00%	48,685,000	48,185,000	-	-	48,185,000
				$ 100,436,402	$ 1,289,489	$ 2,625,000	$ 99,100,891

The Series C General Obligation Bonds mature through 2034 as follows:

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest*	Current Interest to Maturity	Total
2018	$ 935,000	$ -	$ 104,763	$ 1,039,763
2019	1,105,000	-	58,013	1,163,013
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023-2027	-	-	-	-
2028-2032	2,087,537	3,662,463	-	5,750,000
2033-2034	4,066,813	8,458,187	-	12,525,000
Total	$ 8,194,350	$ 12,120,650	$ 162,776	$ 20,477,776

* Interest that is accrued at a discount from the face value of the bonds, and no interest payment is made until maturity.

The 2013 Refunding Bonds mature through 2030 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2018	$ 615,000	$ 508,225	$ 1,123,225
2019	670,000	485,600	1,155,600
2020	700,000	458,200	1,158,200
2021	725,000	429,700	1,154,700
2022	760,000	400,000	1,160,000
2023-2027	4,630,000	1,422,375	6,052,375
2028-2030	3,425,000	261,375	3,686,375
Total	$ 11,525,000	$ 3,965,475	$ 15,490,475

The Series D General Obligation Bonds mature through 2039 as follows:

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest*	Current Interest to Maturity	Total
2018	$ 19,863	$ 137	$ 19,900	$ 39,900
2019	72,256	2,744	19,900	94,900
2020	164,460	10,540	19,900	194,900
2021	274,811	30,189	19,900	324,900
2022	436,274	73,726	19,900	529,900
2023-2027	2,106,686	513,314	27,350	2,647,350
2028-2032	4,120,327	3,069,673	-	7,190,000
2033-2037	8,613,228	3,321,772	-	11,935,000
2038-2039	5,383,636	1,741,364	-	7,125,000
Total	$ 21,191,541	$ 8,763,459	$ 126,850	$ 30,081,850

* Interest that is accrued at a discount from the face value of the bonds, and no interest payment is made until maturity.

The Series E General Obligation Bonds mature through 2036 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2018	$ 200,000	$ 391,900	$ 591,900
2019	-	389,400	389,400
2020	-	389,400	389,400
2021	-	389,400	389,400
2022	-	389,400	389,400
2023-2027	525,000	1,915,000	2,440,000
2028-2032	4,280,000	1,574,725	5,854,725
2033-2036	5,000,000	346,875	5,346,875
Total	$ 10,005,000	$ 5,786,100	$ 15,791,100

The 2015 Refunding Bonds mature through 2032 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2018	$ -	$ 2,374,450	$ 2,374,450
2019	1,310,000	2,348,250	3,658,250
2020	1,440,000	2,286,050	3,726,050
2021	2,745,000	2,192,275	4,937,275
2022	2,955,000	2,060,625	5,015,625
2023-2027	17,760,000	7,820,500	25,580,500
2028-2032	21,975,000	2,772,625	24,747,625
Total	$ 48,185,000	$ 21,854,775	$ 70,039,775

Compensated Absences

At June 30, 2017, the liability for compensated absences was $1,855,760.

Load Banking

At June 30, 2017, the liability for load banking was $145,590.

Group Term Life Insurance Liability

The District offers certain eligible employees term life insurance, with a standard benefit of $50,000 per employee. The District pays all related premiums for the group life insurance policies. Based on the employee's age, the insurer provides a reduced benefit amount. The District supplements the insured amount to provide a guaranteed total benefit of $50,000 per employee. At June 30, 2017, the liability associated with the guarantee for group term life insurance was $798,000.

Aggregate Net Pension Obligation

At June 30, 2017, the liability for the aggregate net pension obligation amounted to $70,562,727. See Note 13 for additional information.

NOTE 11 - POSTEMPLOYMENT HEALTHCARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION/(ASSET)

Plan Description

Plan administration. The District's Governing Board administers the Postemployment Benefits Plan (the Plan), a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for the District.

Management of the Plan is vested with the Citrus Community College District Retirement Board of Authority, which consists of three appointed Plan members.

Plan membership. At June 30, 2017, Plan membership consisted of the following:

Inactive Plan members or beneficiaries currently receiving benefit payments	57
Active Plan members	380
	437

Benefits provided. The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their eligible dependents. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's Governing Board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions. The contribution requirements of Plan members and the District are established and may be amended by the District and the Citrus College Faculty Association (CCFA), the local California School Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-2017, the District contributed $2,953,808 to the Plan, all of which was used for current premiums. Plan members are not required to contribute to the Plan.

Asset Class	Target Allocation
Domestic equity	23%
Fixed income	50%
International equity	20%
Real estate	7%
Total	100%

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 10.06 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The component of the net OPEB liability of the District at June 30, 2017 was as follows:

Total actuarially accrued OPEB liability	$	15,943,541
Plan fiduciary net position		12,499,668
District's net OPEB liability	$	3,443,873
Plan fiduciary net position as a percentage of the total OPEB liability		78%

In addition to the Plan fiduciary net position, the District has set aside $317,937 in a retirement health fund and $843,039 in the Southern California Community College District JPA.

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	6.0 percent
Healthcare cost trend rates	4.0 percent

Mortality rates were based on the 2009 CalSTRS Mortality tables for certificated employees, and the 2014 CalPERS Active Mortality for Miscellaneous Employees and 2014 CalPERS Mortality for Active Safety Employees tables for classified employees.

The actuarial assumptions used in the May 1, 2016 valuation were based on the results of an actuarial experience study as of April 2016.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	9.1%
Fixed income	4.8%
International equity	8.7%
Real estate	7.5%
Cash	1.0%

Discount rate. The discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The OPEB liability is based on the actuarial report that relies on estimates and assumptions that affect the amounts reported. Particularly, changes in the discount and healthcare cost trend rates used can have a significant impact on the resulting actuarially determined OPEB liability. Actual results may differ from these estimates and assumptions.

NOTE 12 - RISK MANAGEMENT

The District participates in three joint powers agreement (JPA) entities, the Statewide Association of Community Colleges (SWACC), the Southern California Community College District's Self-Funded Insurance Agency (SCCCD), and the Protected Insurance Program for Schools (PIPS).

SWACC provides liability and property insurance for forty-six community colleges. SWACC is governed by a board comprised of a member of each of the participating districts. The board controls the operations of SWACC, including selection of management and approval of members beyond their representation on the board. Each member shares surpluses and deficits proportionately to its participation in SWACC.

SCCCD provides workers' compensation coverage for its seven member districts for workers' compensation self-insured run-off claims dated prior to 1995. Payments transferred to funds maintained under the JPA are expensed when made. SCCCD has self-funded their workers' compensation coverage since inception as a joint banking pool, and accordingly, does not transfer risk between members. District administrators are of the opinion that the procedures for accumulating and maintaining reserves are sufficient to cover future contingencies under potential workers' compensation claims.

PIPS provides workers' compensation reinsurance protection to its membership of public schools and community colleges throughout California. This is a finite risk sharing pool that transfers risk away from the members. Premiums are determined based on payroll expense and additional premiums may be required in subsequent years.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing boards.

The relationships between the District and the JPAs are such that no JPAs are a component unit of the District for financial reporting purposes.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2017, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense 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	$ 43,254,271	$ 7,459,821	$ 2,615,717	$ 4,116,292
CalPERS	27,308,456	7,788,090	1,975,272	3,056,111
Total	$ 70,562,727	$ 15,247,911	$ 4,590,989	$ 7,172,403

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by 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 may 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 non-employer 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 provisions and benefits in effect at June 30, 2017 are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
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%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into 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 $3,717,625.

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

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 net pension liability	$	43,254,271
State's proportionate share of net pension liability associated with the District		24,623,885
Total	$	67,878,156

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 college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2016 and June 30, 2015, was 0.0535 percent and 0.0534 percent, respectively, resulting in a net increase in the proportionate share of 0.0001 percent.

For the year ended June 30, 2017, the District recognized pension expense of $4,116,292. In addition, the District recognized pension expense and revenue of $2,380,158 for support provided by the State. 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
Pension contributions subsequent to measurement date	$ 3,717,625	$ -
Net change in proportionate share of net pension liability	303,503	1,560,578
Differences between projected and actual earnings on the pension plan investments	3,438,693	-
Differences between expected and actual experience in the measurement of the total pension liability	-	1,055,139
Total	$ 7,459,821	$ 2,615,717

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 of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	$ 75,020
2019	75,020
2020	1,998,924
2021	1,289,729
Total	$ 3,438,693

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ (454,101)
2019	(454,101)
2020	(454,101)
2021	(454,101)
2022	(454,101)
Thereafter	(41,709)
Total	$ (2,312,214)

Actuarial Methods and Assumptions

Total pension liability for 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 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%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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 the 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 10-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%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

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 the contributions from plan members and employers will be made at statutory contribution rates. 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 occurred mid-year. Based on these 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$62,252,651
Current discount rate (7.60%)	43,254,271
1% increase (8.60%)	27,475,321

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under 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, 2015, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that may 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 age 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)	
Hire date	On or before December 31, 2012	On or after 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	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

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 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 contribution rates are expressed as a 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 $2,376,171.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $27,308,456. 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 college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2016 and June 30, 2015, was 0.1383 percent and 0.1429 percent, respectively, resulting in a net decrease in the proportionate share of 0.0046 percent.

For the year ended June 30, 2017, the District recognized pension expense of $3,056,111. 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
Pension contributions subsequent to measurement date	$ 2,376,171	$ -
Net change in proportionate share of net pension liability	-	1,154,816
Differences between projected and actual earnings on the pension plan investments	4,237,394	-
Differences between expected and actual experience in the measurement of the total pension liability	1,174,525	-
Changes of assumptions	-	820,456
Total	$ 7,788,090	$ 1,975,272

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 of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	$ 594,350
2019	594,350
2020	1,942,771
2021	1,105,923
Total	$ 4,237,394

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,		Deferred Outflows/(Inflows) of Resources
2018	$	(372,278)
2019		(344,392)
2020		(84,077)
Total	$	(800,747)

Actuarial Methods and Assumptions

Total pension liability for the SEP 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 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, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

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. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.65%)	$40,744,368
Current discount rate (7.65%)	27,308,456
1% increase (8.65%)	16,120,415

On-Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2017, which amounted to $2,617,845 (8.828 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2017. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 14 - 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 at 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.

Construction Commitments

As of June 30, 2017, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $1.4 million. The projects are funded through a combination of general obligation bonds, capital project apportionments from the California Community Colleges Chancellor's Office, and local funds.

NOTE 15 - FUNCTIONAL EXPENSES CLASSIFICATION

The District's operating expenses by functional classification for the fiscal year ended June 30, 2017 were:

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	$27,236,056	$ 9,293,151	$ 1,288,680	$ -	$ 558,589	$ -	$ 38,376,476
Academic support	2,485,590	841,887	117,150	-	84,889	-	3,529,516
Student services	9,332,168	2,989,995	1,287,062	-	420,580	-	14,029,805
Plant operations and maintenance	2,651,481	1,171,300	1,830,417	-	14,083	-	5,667,281
Instructional support services	5,482,982	3,842,890	4,905,401	-	542,228	-	14,773,501
Community services and economic development	1,003,948	324,563	256,602	-	2,618	-	1,587,731
Ancillary services and auxiliary operations	3,329,342	1,071,340	4,021,217	-	94,311	-	8,516,210
Student aid	217,613	3,819	-	20,873,711	-	-	21,095,143
Physical property and related acquisitions	365,741	156,176	1,620,846	-	2,320,363	-	4,463,126
Depreciation	-	-	-	-	-	5,086,631	5,086,631
Total	$52,104,921	$19,695,121	$ 15,327,375	$20,873,711	$ 4,037,661	$ 5,086,631	$117,125,420

REQUIRED SUPPLEMENTARY INFORMATION

CITRUS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB ASSET AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2017

		2017
Total Net OPEB Asset*		
Annual required contribution	$	1,292,715
Contributions made for retiree health premiums		(2,953,808)
Change in value of Irrevocable Trust		(884,210)
Net change in total OPEB Asset		(2,545,303)
Total Net OPEB Asset - Beginning		(7,288,350)
Total Net OPEB Asset - Ending	**$**	**(9,833,653)**
Plan Fiduciary Net Position**		
Net investment income	$	979,621
Administrative expense		(95,411)
Net change in Plan Fiduciary Net Position		884,210
Plan Fiduciary Net Position - Beginning		11,615,458
Plan Fiduciary Net Position - Ending	**$**	**12,499,668**

Note : In the future, as data becomes available, ten years of information will be presented.

* The Total Net OPEB Asset was measured in accordance with GASB Statement No. 45.

** The Plan Fiduciary Net Position was measured in accordance with GASB Statement No. 74.

See accompanying note to required supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB
FOR THE YEAR ENDED JUNE 30, 2017

		2017
Actuarially determined contribution	$	1,292,715
Contributions related to the actuarially determined contribution		2,953,808
Contribution deficiency (excess)	$	(1,661,093)
Covered-employee payroll	$	47,086,993
Contribution as a percentage of covered-employee payroll		6.27%

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2017

	2017
Annual money-weighted rate of return, net of investment expense	10.06%

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
May 1, 2012	$ 3,630,016	$ 13,032,133	$ 9,402,117	28%	N/A	N/A
May 1, 2014	5,579,224	13,971,381	8,392,157	40%	N/A	N/A
May 1, 2016	11,536,032	15,943,541	4,407,509	72%	N/A	N/A

In addition to the plan assets, the District has set aside additional retiree health funds of $317,937 in a retirement health fund and $843,039 in the Southern California Community College District JPA.

Covered Payroll and the UAAL as a Percentage of Covered Payroll are not available for the purposes of this schedule because the District's actuarial report does not disclose covered payroll as a component of the actuarial valuation.

See accompanying note to required supplementary information.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.0535%	0.0534%	0.0560%
District's proportionate share of the net pension liability	$ 43,254,271	$ 35,681,720	$ 32,724,720
State's proportionate share of the net pension liability associated with the District	24,623,885	18,871,646	19,760,797
Total	$ 67,878,156	$ 54,553,366	$ 52,485,517
District's covered-employee payroll	$ 28,404,511	$ 25,517,331	$ 24,800,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	152.28%	139.83%	131.95%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.1383%	0.1429%	0.1511%
District's proportionate share of the net pension liability	$ 27,308,456	$ 21,063,601	$ 17,153,529
District's covered-employee payroll	$ 16,794,015	$ 15,777,266	$ 15,900,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	162.61%	133.51%	107.88%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 3,717,625	$ 3,047,804	$ 2,265,939
Contributions in relation to the contractually required contribution	3,717,625	3,047,804	2,265,939
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 29,551,868	$ 28,404,511	$ 25,517,331
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	$ 2,376,171	$ 1,989,587	$ 1,857,142
Contributions in relation to the contractually required contribution	2,376,171	1,989,587	1,857,142
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 17,109,526	$ 16,794,015	$ 15,777,266
Contributions as a percentage of covered-employee payroll	13.888%	11.847%	11.771%

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the District's Net OPEB Asset and Related Ratios

This schedule presents information on the District's changes in the net OPEB asset, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB asset. In the future, as data becomes available, ten years of information will be presented.

***Change in benefit terms* –** There were no changes in benefit terms since the previous valuations for OPEB.

***Change in assumptions* –** There were no changes in economic assumptions for OPEB from the previous valuations.

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Valuation Date: Actuarially determined contribution rates are calculated as of May 2016, within two years of the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset Valuation method	Market Value
Inflation	2.75 percent
Healthcare cost trend rates	4.0 percent
Salary increases	2.75 percent
Investment rate of return	6.0 percent
Retirement age	Expected retirement ages of general employees were adjusted to more closely reflect actual experience
Mortality	Certificated: 2009 CalSTRS Mortality tables Classified: 2014 CalPERS Active Mortality for Miscellaneous Employees tables

Schedule of OPEB Investment Returns

This schedule presents information on the annual money weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

***Changes in Benefit Terms* –** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

***Changes in Assumptions* –** There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions for Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

CITRUS COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2017

The present Citrus Community College District commenced operations on July 1, 1968. On December 14, 1970, the name of the District was changed to Citrus Community College District. It encompasses an area of approximately 270 square miles and provides postsecondary level education (grade 13-14) for residents of Azusa, Claremont, Duarte, Glendora, Monrovia, and other surrounding communities. Prior to July 1, 1968, the area encompassed by the Azusa and Glendora Unified School Districts was served by a junior college district also named Citrus. The District is governed by a five-member Board of Trustees and one non-voting student member.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Dr. Barbara R. Dickerson	President	2018
Dr. Patricia A. Rasmussen	Vice President	2020
Mrs. Joanne Montgomery	Clerk/Secretary	2020
Dr. Edward C. Ortell	Member	2018
Mrs. Susan M. Keith	Member	2020
Ms. Yachi Rivas	Student Trustee	2018

ADMINISTRATION

Geraldine M. Perri, Ph.D	Superintendent/President
Dr. Arvid Spor	Vice President of Academic Affairs
Ms. Claudette E. Dain, CPA	Vice President of Finance and Administrative Services
Dr. Martha McDonald	Vice President of Student Services
Mrs. Rosalinda Buchwald	Director of Fiscal Services
Mr. Robert Sammis	Director of Human Resources
Mr. Robert Hughes	Chief Information Services Officer

See accompanying note to supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures	Amounts Passed through to Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063		$ 15,919,240	$ -
Federal Pell Grant Program Administrative Allowance	84.063		24,000	-
Federal Direct Student Loans	84.268		1,777,777	-
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		230,262	-
FSEOG Administrative Allowance	84.007		11,538	-
Federal Work-Study Program	84.033		220,801	-
Federal Work-Study Program Administrative Allowance	84.033		10,966	-
Subtotal Student Financial Assistance Cluster			18,194,584	-
TRIO Student Support Services	84.042A		263,949	-
Rise Above Challenged Exponentially to Science, Technology, Engineering, and Mathematics (RACE to STEM)	84.031C		651,857	-
Preparing Tomorrow's Teachers Today through Technology (PT5)	84.031S		324,386	71,284
Passed through California State University Fullerton Auxiliary Services Corporation				
Strengthening Transfer Education and Matriculation in STEM (STEM2)	84.031C	S-5261-CITRUS	86,155	-
RAISE: Regional Alliance in STEM Education	84.031C	S-6386-CITRUS	1,291	-
Passed through from California Community Colleges Chancellor's Office				
Career and Technical Education Act (CTEA), Title I, Part C	84.048	16-C01-009	482,301	-
Title I, CTEA Transitions	84.048A	16-112-009	43,748	-
Total U.S. Department of Education			20,048,271	71,284
NATIONAL SCIENCE FOUNDATION				
Research and Development Cluster				
GP-EXTRA: Bridge to Geosciences for Community College Students	47.050		75,815	32,185
Passed through California State University Fullerton Auxiliary Services Corporation				
INCLUDES: STEM 3: Scaling STEM 2	47.076	HRD-1649240	2,866	-
Subtotal Research and Development Cluster			78,681	32,185
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through from California Community Colleges Chancellor's Office				
Temporary Assistance to Needy Families (TANF)	93.558	[1]	63,334	-
Foster Kinship Care Education	93.658	[1]	204,195	-
Total U.S. Department of Health and Human Services			267,529	-
U.S. DEPARTMENT OF VETERANS AFFAIRS				
Veterans Services	64.117		2,130	-
Total Federal Program Expenditures			$ 20,396,611	$ 103,469

[1] Pass-through Identifying Number not available

See accompanying note to supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

	Program Revenues					
Program	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
AB 86 Adult Education Grant	$ 628,714	$ -	$ 348,336	$ 431	$ 279,947	$279,947
Basic Skills	412,297	-	-	84,241	328,056	328,056
Board Financial Assistance Program (BFAP)	472,815	-	-	-	472,815	472,815
CalGrants	1,625,672	34,036	-	-	1,659,708	1,659,708
CalWORKS	348,284	-	-	-	348,284	348,284
Cooperative Agencies Resources for Education (CARE)	179,421	-	-	-	179,421	179,421
Disabled Student Program and Services (DSPS)	906,692	-	-	-	906,692	906,692
Nursing Enrollment Growth and Retention	115,460	10,040	-	-	125,500	125,500
Extended Opportunities Program and Services (EOPS)	938,511	-	-	-	938,511	938,511
Full-time Student Success Grant	502,444	-	-	11,144	491,300	491,300
Foster Kinship Care Education	135,755	120,752	-	-	256,507	256,507
Instructional Equipment	1,032,896	-	-	456,603	576,293	576,293
Outcome Transformation Program	518,927	-	-	472,332	46,595	46,595
Staff Diversity	60,000	-	-	-	60,000	60,000
Strong Workforce Program - Local Year 1	785,655	-	-	778,441	7,214	7,214
Student Success and Support Program - Credit	3,801,045	-	-	-	3,801,045	3,801,045
Student Success and Support Program - Noncredit	332,016	-	28,579	34,614	268,823	268,823
Student Success and Support Program - Student Equity	1,710,042	-	-	803,797	906,245	906,245
Total State Programs	$ 14,506,646	$ 164,828	$ 376,915	$ 2,641,603	$ 11,652,956	$ 11,652,956

See accompanying note to supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
FOR THE YEAR ENDED JUNE 30, 2017

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2016 only)			
1. Noncredit*	200.85	-	200.85
2. Credit	1,057.16	-	1,057.16
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit*	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	7,188.10	-	7,188.10
(b) Daily Census Contact Hours	1,587.44	-	1,587.44
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	132.09	-	132.09
(b) Credit	321.68	-	321.68
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	741.58	-	741.58
(b) Daily Census Contact Hours	572.29	-	572.29
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	11,801.19	-	11,801.19
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit*	316.64	-	316.64
2. Credit	952.76	-	952.76

* Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2017

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>**Academic Salaries**</u>							
Instructional Salaries							
Contract or Regular	1100	$ 12,969,840	$ -	$ 12,969,840	$ 12,969,840	$ -	$ 12,969,840
Other	1300	10,362,355	-	10,362,355	10,362,355	-	10,362,355
Total Instructional Salaries		23,332,195	-	23,332,195	23,332,195	-	23,332,195
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	4,074,956	-	4,074,956
Other	1400	-	-	-	279,218	-	279,218
Total Noninstructional Salaries		-	-	-	4,354,174	-	4,354,174
Total Academic Salaries		23,332,195	-	23,332,195	27,686,369	-	27,686,369
<u>**Classified Salaries**</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	12,024,787	-	12,024,787
Other	2300	-	-	-	595,938	-	595,938
Total Noninstructional Salaries		-	-	-	12,620,725	-	12,620,725
Instructional Aides							
Regular Status	2200	344,565	-	344,565	344,565	-	344,565
Other	2400	92,143	-	92,143	92,143	-	92,143
Total Instructional Aides		436,708	-	436,708	436,708	-	436,708
Total Classified Salaries		436,708	-	436,708	13,057,433	-	13,057,433
Employee Benefits	3000	9,753,756	-	9,753,756	17,657,281	-	17,657,281
Supplies and Material	4000	-	-	-	1,172,398	-	1,172,398
Other Operating Expenses	5000	-	-	-	5,757,917	-	5,757,917
Total Expenditures Prior to Exclusions		33,522,659	-	33,522,659	65,331,398	-	65,331,398

See accompanying note to supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 100,633	$ -	$ 100,633	$ 339,490	$ -	$ 339,490
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	79,921	-	79,921
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,109,640	-	1,109,640
Objects to Exclude							
Rents and Leases	5060	-	-	-	220,745	-	220,745
Lottery Expenditures							-
Classified Salaries	2000	-	-	-	295,456	-	295,456
Employee Benefits	3000	-	-	-	248,348	-	248,348
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 1,337,053	$ -	$ 1,337,053
Total Exclusions		100,633	-	100,633	3,630,653	-	3,630,653
Total for ECS 84362, 50 Percent Law		$ 33,422,026	$ -	$ 33,422,026	$ 61,700,745	$ -	$ 61,700,745
Percent of CEE (Instructional Salary Cost/Total CEE)		54.17%		54.17%	100.00%		100.00%
50% of Current Expense of Education					$ 30,850,373		$ 30,850,373

See accompanying note to supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Summarized below is the fund balance reconciliation between the Annual Financial and Budget Report (CCFS-311) and the audited financial statements for the year ended June 30, 2017.

	Self Insurance Fund
FUND BALANCE	
Balance, June 30, 2017, (CCFS-311)	$ 714,453
Increase in:	
Cash with fiscal agent	1,517,194
Balance, June 30, 2017, Audited	$ 2,231,647

See accompanying note to supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2017

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 8,949,384
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 8,949,384	$ -	$ -	$ 8,949,384
Total Expenditures for EPA		$ 8,949,384	$ -	$ -	$ 8,949,384
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance, Retained Earnings, and Due to Student Groups		
General Fund	$ 23,359,871	
Special Revenue Funds	80,345	
Capital Project Funds	29,996,650	
Debt Service Fund	2,663,882	
Enterprise Funds	259,676	
Internal Service Fund	2,231,647	
Fiduciary Funds	2,160,383	
Total Fund Balance, Retained Earnings, and Due to Student Groups		**$ 60,752,454**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	215,389,814	
Accumulated depreciation is	(87,938,519)	
Total Capital Assets		127,451,295
Amounts held in trust on behalf of others (Trust Funds)		(2,160,383)
Recognizing the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and the OPEB contributions in the governmental funds.		9,833,653
Deferred gains or losses on refunding of debt (the difference between the reacquisition price and the net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is greater) and are included with governmental activities expense.		7,083,509
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.		(1,386,088)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to the measurement date	6,093,796	
Net change in proportionate share of net pension liability	303,503	
Difference between projected and actual earnings on pension plan investments	7,676,087	
Differences between expected and actual experience in the measurement of the total net pension liability	1,174,525	
Total Deferred Outflows of Resources related to Pensions		15,247,911

See accompanying note to supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE STATEMENT OF NET POSITION, CONTINUED
JUNE 30, 2017

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	$ (2,715,394)	
Differences between expected and actual experience in the measurement of the total net pension liability	(1,055,139)	
Changes in assumption	(820,456)	
Total Deferred Inflows of Resources related to Pensions		$ (4,590,989)
Long-term obligations at year end consist of:		
Bonds payable	(105,039,140)	
Compensated absences and load banking	(2,001,350)	
Group term life insurance liability	(798,000)	
Less compensated absences already recorded in funds	499,669	
Less group term life insurance liability already recorded in funds	798,000	
Aggregate net pension obligation	(70,562,727)	
In addition, the District issued "capital appreciation" general obligation bonds. The accretion of interest on those bonds to date is:	(4,818,338)	
Total Long-term Obligations		(181,921,886)
Total Net Position		**$ 30,309,476**

See accompanying note to supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS OF THE GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

	(Budget) 2018	2017	2016	2015
	Amount	Amount	Amount	Amount
GENERAL FUND				
Revenues				
Federal	$ -	$ 26,130	$ 24,310	$ 30,020
State	58,531,556	59,444,279	62,605,725	51,807,817
Local	16,206,146	15,982,891	14,537,443	13,212,562
Total Revenues	74,737,702	75,453,300	77,167,478	65,050,399
Expenditures				
Academic salaries	28,115,278	28,162,648	27,529,437	24,952,308
Classified salaries	15,570,738	14,955,623	14,520,337	14,069,441
Employee benefits	16,774,267	18,586,444	13,631,485	13,766,107
Supplies and materials	1,419,595	1,331,623	1,224,672	930,570
Other operating expenses	6,526,081	6,182,258	5,974,273	5,096,432
Capital outlay	528,405	612,846	277,428	741,197
Other outgo	1,905,000	4,801,594	6,605,100	3,208,545
Total Expenditures	70,839,364	74,633,036	69,762,732	62,764,600
Other Sources and Uses	1,255,000	774,769	2,125,474	57,565
INCREASE IN FUND BALANCE	$ 5,153,338	$ 1,595,033	$ 9,530,220	$ 2,343,364
ENDING FUND BALANCE	$ 27,425,061	$ 22,271,723	$ 20,676,690	$ 11,146,470
Reserve percentage	38.7%	29.8%	29.6%	17.8%
FULL-TIME EQUIVALENT STUDENTS	12,020	11,801	11,783	1,447
TOTAL LONG-TERM OBLIGATIONS, INCLUDING RETIREE BENEFIT LIABILITY	N/A	$ 172,462,968	$ 159,137,595	$ 153,834,268

NOTES

The year 2018 General Fund budget was adopted by the Board on September 5, 2017. The budget is included for analytical purposes and has not been subjected to audit.

The California Community Colleges Chancellor's Office has provided guidelines that recommend a minimum prudent ending fund balance reserve of at least 5 percent of unrestricted expenditures.

Long-term obligations are reported for the District as a whole and include debt related to all funds. Long-term obligations exclude unamortized premium on bonded debt.

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members as of June 30, 2017.

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 (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Schedule of 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. The information in this schedule is presented to comply with reporting requirements of the California Community Colleges Chancellor's Office.

Schedule of Workload Measures for State General Apportionment

FTES is a measurement of the number of students 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, including certain restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

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 audited financial statements.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

Proposition 30 Education Protection Act (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

Reconciliation of the Governmental Fund Balance Sheets to the Statement of 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.

Schedule of Financial Trends and Analysis of the General Fund

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

INDEPENDENT AUDITOR'S REPORTS

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S 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*

Board of Trustees
Citrus Community College District
Glendora, 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 business-type activities and the aggregate remaining fund information of Citrus Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 29, 2017.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 to the financial statements, in 2017, the District adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District'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.

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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 District's financial statements are free from 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 29, 2017

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Citrus Community College District
Glendora, California

Report on Compliance for Each Major Federal Program

We have audited Citrus Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2017. The 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 Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of 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 the 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 qualified and unmodified opinions on compliance for major Federal programs. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on Preparing Tomorrow's Teachers Today through Technology (PT5) Grant

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding CFDA 84.031S Preparing Tomorrow's Teachers Today through Technology (PT5) as described in finding 2017-001 for Allowable Costs. Compliance with such requirement is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

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Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Preparing Tomorrow's Teachers Today through Technology (PT5) for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the 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 other major Federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001. Our opinion on each major Federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Management's Response and Corrective Action Plan. The District's response was not subjected to auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the 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 the 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Management's Response and Corrective Action Plan. The District's response was not subjected to auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 29, 2017

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Citrus Community College District
Glendora, California

Report on State Compliance

We have audited Citrus Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion for Each of the Programs

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.

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In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

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	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Proposition 55 Education Protection Account Funds

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

The District does not offer any Intersession Extension Programs; therefore, the compliance tests within this section were not applicable.

The District reports no attendance within classes subject to the TBA Hours; therefore, the compliance tests within this section were not applicable.

The District did not receive Proposition 1D and 51 State Bond Funded Projects funding during the year; therefore, the compliance tests within this section were not applicable.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 29, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITRUS COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Type of auditor's report issued on compliance for major Federal programs:	Unmodified

Unmodified for all major programs except for the following program which was qualified:

CFDA Number(s)	Name of Federal Program or Cluster
84.031S	Preparing Tomorrow's Teachers Today through Technology (PT5)

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	Yes

Identification of major Federal programs:

CFDA Numbers	Name of Federal Programs or Cluster
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster
84.031C	Rise Above Challenged Exponentially to Science, Technology, Engineering, and Mathematics (RACE to STEM)
84.031C	Strengthening Transfer Education and Matriculation in STEM (STEM2)
84.031C	RAISE: Regional Alliance in STEM Education
84.031S	Preparing Tomorrow's Teachers Today through Technology (PT5)

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

The following finding represents a significant deficiency and an instance of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

2017-001 ***Allowable Costs***

Program Name: Preparing Tomorrow's Teachers Today through Technology (PT5)
CFDA Number: 84.031S
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

The Uniform Guidance states that personnel costs for Federal programs should represent only "reasonable amounts for activities contributing and directly related to work under an agreement" (2 CFR 200.430).

Condition

Significant Deficiency – The salary and fringe benefits for one employee, who did not perform services for the PT5 grant, were erroneously charged to the grant during the 2016-2017 fiscal year.

Questioned Costs

The salary and fringe benefits for the employee totaled $49,141 for the 2016-2017 year. A 100 percent review of personnel charges related to the grant indicated no other employees who were inappropriately charged to the program.

Context

The PT5 program had a total of $324,386 in expenditures for the current year, of which $244,836 is associated with salaries and benefits.

Effect

The District did not comply with the Allowable Cost principles identified in 2 CFR 200, subpart E.

Cause

The District's review of personnel charges did not identify the employee that should not have been charged to the program.

Recommendation

The District should monitor personnel costs to the program in accordance with their policies and procedures. The District should review personnel costs on a periodic basis to ensure that costs charged are supported by allowable activities directly related to the program. Additionally, adequate supporting documentation should be retained for personnel charges for Federal grants.

Corrective Action Plan

The final expenditure report for the PT5 grant year, which ended on September 30, 2017, is due on December 31, 2017. The District will not report the salary and benefit expenditures for this employee's time in the final expenditure report, thus ensuring the accuracy of expenditures reported to the granting agency.

In addition, the Fiscal Services office will develop procedures, in conjunction with grant program managers, to ensure the timely review of positions and activities charged to grant programs. In addition, a process will be developed for grant managers to submit labor distribution funding changes to the Human Resources Office for timely input into the County HRS system and Banner, in coordination with the District's budget process. Such information will be reconciled monthly by grant managers, to the expenditure ledgers, as provided by fiscal services, to ensure compliance with all time and effort grant requirements.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

2016-001 Section 424: State General Apportionment System

Criteria or Specific Requirement

State apportionment funding is based on student hours of attendance and must be reported based upon the actual day and time schedules for each course section. California Code of Regulations (CCR) 58023 and the Student Attendance Accounting Manual (SAAM) provide guidance on the calculation of contact hours.

Condition

The audit identified an independent study weekly student contact hour course where the contact hours calculated by the Student Information System (SIS) and used for apportionment purposes did not calculate correctly.

Questioned Costs

Increase of 9.91 FTES Independent Study Daily Census Contact Hours. Estimated effect on apportionment is $46,810.88, per marginal funding of $4,723.60 per FTES.

Context

The understatement was attributed to how the course sections were scheduled in the SIS. The understatement was determined to be a systematic problem for similarly scheduled classes.

Effect

FTES were underreported due to the underreporting of contact hours.

Recommendation

Correct the course section calculations in SIS and submit a revised CCFS-320 Apportionment Attendance Report. Additionally, evaluate the current process and revise accordingly to ensure any discrepancies do not reoccur.

Management's Response and Corrective Action Plan

The District identified that the source of the understatement was due to course unit changes being entered into the Banner Student Information System (Banner) catalog prior to the rolling of course sections from the previous year. As the roll process occurred, revised course unit changes from the Banner catalog were not properly reflected as only sections created after the roll process reflected the updated unit amounts.

The District has since developed a report to check for any discrepancies existing between catalog unit and section unit amounts. Using this report, the District corrected all discrepancies and submitted a revised CCFS-320 report to the State Chancellor's Office, resulting in an increase in student contact hours and overall increase in FTES. For future reporting cycles, the District's Schedule Specialist will add this new report procedure to the review process to ensure that any future discrepancies between the catalog and the section units are corrected before reporting.

Current Status

Implemented.

UNAUDITED ADDITIONAL SUPPLEMENTARY INFORMATION

CITRUS COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General	General Restricted	Community and Contract Education
ASSETS			
Cash and cash equivalents	$ 349,506	$ 361,895	$ -
Investments	20,164,424	4,092,462	37,026
Accounts receivable	2,056,813	1,179,128	98,866
Due from other funds	5,093,773	-	-
Total Assets	$ 27,664,516	$ 5,633,485	$ 135,892
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 4,495,124	$ 1,458,997	$ 23,924
Due to other funds	-	-	31,072
Unearned revenue	897,669	3,086,340	551
Total Liabilities	5,392,793	4,545,337	55,547
FUND BALANCES			
Reserved	3,713,203	1,088,148	-
Designated	3,592,918	-	80,345
Undesignated	14,965,602	-	-
Total Fund Balances	22,271,723	1,088,148	80,345
Total Liabilities and Fund Balances	$ 27,664,516	$ 5,633,485	$ 135,892

See accompanying note to additional supplementary information.

Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Funds (Memorandum Only)
$ -	$ 93,853	$ -	$ 805,254
2,663,882	19,972,035	9,069,985	55,999,814
-	1,277,044	49,693	4,661,544
-	-	-	5,093,773
$ 2,663,882	$ 21,342,932	$ 9,119,678	$ 66,560,385
$ -	$ 352,577	$ 97,597	$ 6,428,219
-	-	-	31,072
-	15,786	-	4,000,346
-	368,363	97,597	10,459,637
2,663,882	20,974,569	9,022,081	37,461,883
-	-	-	3,673,263
-	-	-	14,965,602
2,663,882	20,974,569	9,022,081	56,100,748
$ 2,663,882	$ 21,342,932	$ 9,119,678	$ 66,560,385

CITRUS COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	General	General Restricted	Community and Contract Education
REVENUES			
Federal revenues	$ 26,130	$ 2,431,664	$ -
State revenues	59,444,279	10,807,191	-
Local revenues	15,982,891	1,626,935	175,951
Total Revenues	75,453,300	14,865,790	175,951
EXPENDITURES			
Current Expenditures			
Academic salaries	28,162,648	3,593,003	1,264
Classified salaries	14,955,623	3,706,987	52,731
Employee benefits	18,586,444	2,145,608	14,007
Books and supplies	1,331,623	504,349	1,417
Services and operating expenditures	6,182,258	1,740,902	26,187
Capital outlay	612,846	2,129,414	-
Debt service - principal	-	-	-
Debt service - interest	-	-	-
Total Expenditures	69,831,442	13,820,263	95,606
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,621,858	1,045,527	80,345
OTHER FINANCING SOURCES (USES)			
Operating transfers in	89,526	218,356	-
Operating transfers out	(4,801,594)	(79,236)	-
Other sources	685,243	-	-
Other uses	-	(1,284,724)	-
Total Other Financing Sources (Uses)	(4,026,825)	(1,145,604)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	1,595,033	(100,077)	80,345
FUND BALANCES, BEGINNING OF YEAR	20,676,690	1,188,225	-
FUND BALANCES, END OF YEAR	$ 22,271,723	$ 1,088,148	$ 80,345

See accompanying note to additional supplementary information.

Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Funds (Memorandum Only)
$ -	$ -	$ -	$ 2,457,794
52,193	3,337,711	-	73,641,374
6,271,775	2,031,194	115,231	26,203,977
6,323,968	5,368,905	115,231	102,303,145
-	-	-	31,756,915
-	356,439	63,945	19,135,725
-	125,042	23,286	20,894,387
-	24,815	37,244	1,899,448
-	1,612,190	409,563	9,971,100
-	3,269,093	1,962,698	7,974,051
2,625,000	-	-	2,625,000
3,519,063	-	-	3,519,063
6,144,063	5,387,579	2,496,736	97,775,689
179,905	(18,674)	(2,381,505)	4,527,456
-	4,479,788	-	4,787,670
-	-	-	(4,880,830)
-	-	-	685,243
-	-	-	(1,284,724)
-	4,479,788	-	(692,641)
179,905	4,461,114	(2,381,505)	3,834,815
2,483,977	16,513,455	11,403,586	52,265,933
$ 2,663,882	$ 20,974,569	$ 9,022,081	$ 56,100,748

CITRUS COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUND
BALANCE SHEET
JUNE 30, 2017

	Enterprise Funds				Internal
	Bookstore	Cafeteria	Golf Driving Range	Total	Service Fund
ASSETS					
Cash and cash equivalents	$ 63,898	$ 60	$ 5,900	$ 69,858	$ 1,517,194
Investments	-	-	250,062	250,062	712,833
Accounts receivable	58,236	2,808	800	61,844	1,620
Stores inventories	1,010,198	6,674	13,390	1,030,262	-
Total Assets	$ 1,132,332	$ 9,542	$ 270,152	$ 1,412,026	$ 2,231,647
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	$ 179,710	$ 8,555	$ 16,461	$ 204,726	$ -
Due to other funds	945,797	987	-	946,784	-
Unearned revenue	-	-	840	840	-
Total Liabilities	1,125,507	9,542	17,301	1,152,350	-
FUND EQUITY					
Retained earnings	6,825	-	252,851	259,676	2,231,647
Total Liabilities and Fund Equity	$ 1,132,332	$ 9,542	$ 270,152	$ 1,412,026	$ 2,231,647

See accompanying note to additional supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds				Internal Service Fund
	Bookstore	Cafeteria	Golf Driving Range	Total	
OPERATING REVENUES					
Sales and commissions	$ 4,056,330	$ 419,013	$ 153,691	$ 4,629,034	$ -
Premium contributions	-	-	-	-	994,867
Total Operating Revenues	4,056,330	419,013	153,691	4,629,034	994,867
OPERATING EXPENSES					
Classified salaries	705,258	240,877	128,796	1,074,931	-
Employee benefits	188,538	75,265	32,257	296,060	-
Books and supplies	50,595	7,445	20,063	78,103	-
Services and other operating expenditures	3,093,919	193,723	43,639	3,331,281	1,044,310
Capital outlay	7,824	7,699	-	15,523	-
Total Operating Expenses	4,046,134	525,009	224,755	4,795,898	1,044,310
Operating Income (Loss)	10,196	(105,996)	(71,064)	(166,864)	(49,443)
NONOPERATING REVENUES (EXPENSES)					
Interest income	-	-	2,031	2,031	3,600
Other contract services	53,298	-	-	53,298	-
Operating transfers in	3,114	105,996	50,000	159,110	-
Operating transfers out	(211,431)	-	-	(211,431)	-
Other sources	-	-	-	-	1,517,194
Total Nonoperating Revenues (Expenses)	(155,019)	105,996	52,031	3,008	1,520,794
NET INCOME/(LOSS)	(144,823)	-	(19,033)	(163,856)	1,471,351
RETAINED EARNINGS, BEGINNING OF YEAR	151,648	-	271,884	423,532	760,296
RETAINED EARNINGS, END OF YEAR	$ 6,825	$ -	$ 252,851	$ 259,676	$ 2,231,647

See accompanying note to additional supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds			Internal Service Fund
	Bookstore	Cafeteria	Golf Driving Range	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from sales and commissions	$ 4,130,141	$ 420,225	$ 151,780	$ -
Cash received from user charges	-			994,867
Cash payments to employees for services	(952,842)	(332,910)	(189,872)	-
Cash payments for insurance claims	-	-	-	(1,044,310)
Cash payments to vendors	(3,006,258)	(216,251)	(38,872)	-
Net Cash Provided from Operating Activities	171,041	(128,936)	(76,964)	(49,443)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	-	-	1,951	1,980
Other income	53,298	-	-	-
Transfers in	3,114	105,996	50,000	-
Transfers out	(211,431)	-	-	-
Other sources	-	-	-	1,517,194
Net Cash Provided from Investing Activities	(155,019)	105,996	51,951	1,519,174
Net change in cash and cash equivalents	16,022	(22,940)	(25,013)	1,469,731
Cash and cash equivalents - Beginning	47,876	23,000	280,975	760,296
Cash and cash equivalents - Ending	$ 63,898	$ 60	$ 255,962	$ 2,230,027
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED FROM OPERATING ACTIVITIES				
Operating Income/(Loss)	10,196	(105,996)	(71,064)	$ (49,443)
Changes in assets and liabilities:				
Accounts receivable	73,811	1,212	(11)	-
Stores inventories	92,232	7,465	4,767	-
Accounts payable	(8,451)	(9,324)	(8,756)	-
Due to other funds	3,253	(22,293)	-	-
Unearned revenue	-	-	(1,900)	-
NET CASH PROVIDED FROM OPERATING ACTIVITIES	$ 171,041	$ (128,936)	$ (76,964)	$ (49,443)

See accompanying note to additional supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
BALANCE SHEET
JUNE 30, 2017

	Associated Students Organization	Student Representation Fee	Student Financial Aid	Total
ASSETS				
Cash and cash equivalents	$ 1,566,266	$ 15,634	$ 767	$ 1,582,667
Investments	596,148	35,423	639,790	1,271,361
Accounts receivable	32,655	1,722	4,062,625	4,097,002
Prepaid expenses	4,081	-	-	4,081
Total Assets	$ 2,199,150	$ 52,779	$ 4,703,182	$ 6,955,111
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 43,446	$ -	$ 587,265	$ 630,711
Due to other funds	-	-	4,115,917	4,115,917
Unearned revenue	48,100	-	-	48,100
Due to student groups	1,328,795	-	-	1,328,795
Total Liabilities	1,420,341	-	4,703,182	6,123,523
FUND BALANCES				
Reserved	4,081	-	-	4,081
Designated	774,728	52,779	-	827,507
Total Fund Balances	778,809	52,779	-	831,588
Total Liabilities and Fund Balances	$ 2,199,150	$ 52,779	$ 4,703,182	$ 6,955,111

See accompanying note to additional supplementary information.

FIDUCIARY FUNDS
STATEMENTS OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Associated Students Organization	Student Representation Fee	Student Financial Aid	Total
REVENUES				
Federal revenues	$ -	$ -	$ 17,938,817	$ 17,938,817
State revenues	-	-	1,659,708	1,659,708
Local revenues	1,628,663	26,996	-	1,655,659
Total Revenues	1,628,663	26,996	19,598,525	21,254,184
EXPENDITURES				
Current Expenditures				
Classified salaries	360,674	-	-	360,674
Employee benefits	84,036	-	-	84,036
Books and supplies	244,740	-	-	244,740
Services and operating expenditures	606,483	15,568	-	622,051
Capital outlay	261,058	-	-	261,058
Total Expenditures	1,556,991	15,568	-	1,572,559
EXCESS OF REVENUES OVER EXPENDITURES	71,672	11,428	19,598,525	19,681,625
OTHER FINANCING SOURCES (USES)				
Operating transfers in	159,335	-	-	159,335
Operating transfers out	(450)	(1,866)	(11,538)	(13,854)
Other uses	(127,014)	-	(19,586,987)	(19,714,001)
Total Other Financing Sources (Uses)	31,871	(1,866)	(19,598,525)	(19,568,520)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	103,543	9,562	-	113,105
FUND BALANCES, BEGINNING OF YEAR	675,266	43,217	-	718,483
FUND BALANCES, END OF YEAR	$ 778,809	$ 52,779	$ -	$ 831,588

See accompanying note to additional supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of the District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the basic financial statements. This information is not a required component of the financial statements in accordance with GASB Statements No. 34 and No. 35 and is presented at the request of District management.