

**IMPERIAL COMMUNITY COLLEGE
DISTRICT**

**AUDIT REPORT
JUNE 30, 2017**

San Diego

Los Angeles

**San Francisco
Bay Area**

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**IMPERIAL COMMUNITY COLLEGE DISTRICT
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 FOR THE YEAR ENDED JUNE 30, 2017**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Imperial Community College District
Imperial, California 92251

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Imperial Community College District (District) as of and for the year ended June 30, 2017, which comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances. An audit also includes evaluation the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluation the overall presentation of the financial statements.

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State Board of Accountancy*

Opinion

In our opinion, the financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the Imperial Community College District as of June 30, 2017, and the results of its operations, changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be read in conjunction with this report in considering the results of our audit. That report appears within this annual report.

Management's Discussion and Analysis (MD&A) on pages 3 through 7 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion of it.

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The accompanying supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by the Code of Federal Regulations, Chapter 2, Part 200, is presented for purposes of additional analysis and is not a required part of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Christy White Associates

San Diego, CA
December 11, 2017

IMPERIAL COMMUNITY COLLEGE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The Imperial Community College District (District) consists one main campus. The District serves approximately 7,500 students per semester. Full-Time Equivalent Student (FTES) for 2016-17 was 6,854.

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

FINANCIAL HIGHLIGHTS

- Net position decreased by \$5.9 million or 15% from the prior year. The decrease is attributable to pension expenditures and liability.

NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) released statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" in June 2004, which improves relevance and usefulness of financial reporting.

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" was released in February 2009, and enhances the usefulness of fund balance information. The district has adopted and applied the above standards for the 2017 fiscal year.

The California Community College Chancellor's Office recommends that all State community college districts follow the new standards using the Business Type Activity (BTA) model. Imperial Community College District has adopted the BTA reporting model for these financial statements to comply with the recommendation of the Chancellor's Office and to report in a manner consistent and comparable with other community college districts.

The following discussion and analysis provides an overview of the District's financial activities with emphasis on current year data. As required by the newly adopted accounting principles, this report consists of three basic financial statements that provide information on the District as a whole: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

Some of the changes in the financial statements that have resulted from the implementation of these new standards using the BTA model are:

- Revenues and expenses are now categorized as either operating or non-operating; this operating information was not previously presented.
- Pledges from donors (excluding permanent endowments) are recorded as receivables and non-operating revenues at the date of the pledge. Previously, pledges were not recorded as revenue until the related gift was received.
- Capital assets are included in the statement presentations.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

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 using the accrual basis of accounting, which is comparable to that used by most private-sector institutions. Net Position—the difference between assets and liabilities—are one way to measure the financial health of the district. The net asset data allows readers to determine the resources available to continue the operations of the district.

The Net Position of the district consists of three major categories:

1. Invested in capital assets, net of related debt – The district's equity in property, plant, and equipment.
2. Restricted Net Position (distinguished between major categories of restriction.) – The constraints placed on the use of the assets are externally imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or imposed through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – The district can use them for any lawful purpose. Although unrestricted, the district's governing board may place internal restrictions on this Net Position, but it retains the power to change, remove, or modify those restrictions.

Statement of Net Position

	2017	2016	Net Change
ASSETS			
Current assets	\$ 24,515,053	\$ 19,936,880	\$ 4,578,173
Non-current assets	85,171,474	87,248,183	(2,076,709)
Total Assets	109,686,527	107,185,063	2,501,464
DEFERRED OUTFLOWS OF RESOURCES	11,861,117	5,510,456	6,350,661
LIABILITIES			
Current liabilities	12,914,598	9,629,928	3,284,670
Non-current liabilities	153,456,733	139,814,155	13,642,578
Total Liabilities	166,371,331	149,444,083	16,927,248
DEFERRED INFLOWS OF RESOURCES	1,303,312	3,476,600	(2,173,288)
NET POSITION			
Restricted	31,717,771	4,923,977	26,793,794
Unrestricted	(77,844,770)	(45,149,141)	(32,695,629)
Total Net Position	\$ (46,126,999)	\$ (40,225,164)	\$ (5,901,835)

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

The District's Net Position decreased \$5.9 million or 15% from the previous year due primarily to the increase in pension expenditures and liability. The District continues to be affected by the adverse fiscal climate. Accounts receivable have increased \$813,676 as students and other service recipients have delayed payments of liabilities owed to the District. Likewise, revenue received but not yet earned has increased by \$2.3 million. Finally, much of the District's unrestricted Net Position have been designated or reserved by the Governing Board for specific purposes such as insurance reserves, repairs and replacement of equipment, self-insurance, and capital outlay.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the operating results of the District. The purpose of the statement is to present the revenues received by the district, both operating and non-operating, and the expenses paid by the district, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the district. State general apportionment funds, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

Changes in total Net Position on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues are received for providing goods and services to the various customers and constituencies of the district. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the district.

	<u>2017</u>	<u>2016</u>	<u>Net Change</u>
Total operating revenues	36,442,479	34,851,243	1,591,236
Total operating expenses	87,441,242	79,031,338	8,409,904
Operating loss	(50,998,763)	(44,180,095)	(6,818,668)
Net non-operating revenue (expenses)	45,096,928	39,437,817	5,659,111
Change in net position	(5,901,835)	(4,742,278)	(1,159,557)
Net position - beginning of the year	(40,225,164)	(35,482,886)	(4,742,278)
Net position - end of the year	46,126,999	(40,225,164)	86,352,163

The Statement of Revenues, Expenses, and Changes in Net Position reflect a challenging year with a decrease in the Net Position at the end of the year. The cost of operations increased by \$8.4 million resulting from an increase in salaries and employee benefits.

Although the statement shows an operating loss of \$51.0 million, that balance does not reflect the \$45 million in non-operating revenues. Because of these revenues from both state and local sources, the District reports a decrease in its Net Position of \$5.9 million dollars for this fiscal year.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides additional information about the district's financial results by reporting its major sources and uses of cash. This information assists readers in assessing the district's ability to generate revenue, meet its obligations as they come due, and evaluate its need for external financing. The statement is divided into several parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities and shows the sources and uses of those funds. The third sections deals with cash flows from capital and related financing activities. This section deals with cash flows from investing activities. This section reflects the cash received and spent for short-term investments and any interest paid or received on those investments.

Changes in Cash Flow

	<u>2017</u>	<u>2016</u>	<u>Net Change</u>
Net cash provided(used) by:			
Operating activities	\$ (48,098,116)	\$ (49,331,973)	\$ 1,233,857
Non-capital financing activities	58,985,031	57,117,653	1,867,378
Capital and related financing activities	(7,399,418)	(3,618,087)	(3,781,331)
Investment activities	285,000	82,942	202,058
Net increase in cash	3,772,497	4,250,535	(478,038)
Cash - beginning of the year	17,255,195	13,004,660	4,250,535
Cash - end of the year	<u>\$ 21,027,692</u>	<u>\$ 17,255,195</u>	<u>\$ 3,772,497</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

CAPITAL ASSETS

Note 5 to the financial statements provide additional information on Capital Assets. A summary of capital assets, net of accumulated depreciation, for 2016 and 2017.

Changes in Capital Assets

	2017	2016	Net Change
Land and construction in progress	1,033,701	951,584	82,117
Buildings, improvements, and equipment	112,337,883	111,596,062	741,821
Accumulated depreciation	(28,200,110)	(25,299,463)	(2,900,647)
Total Capital Assets	85,171,474	87,248,183	(2,076,709)

LONG-TERM DEBT

Note 6 to the financial statements provide additional information on long-term debt. A summary of long-term debt, for 2016 and 2017.

	2017	2016	Net Change
GO Bonds	71,824,501	74,276,929	(2,452,428)
Accreted Interest	15,576,430	13,221,445	2,354,985
Bond Premium	2,605,738	2,693,056	(87,318)
Compensated absences	788,993	110,440	678,553
OPEB Obligation	19,549,481	16,336,971	3,212,510
Pension liabilities	45,928,563	35,664,187	10,264,376
Less: current portion of long-term debt	(2,862,827)	(2,488,873)	(373,954)
Total Long-term Liabilities	153,410,879	139,814,155	13,596,724

DISTRICT'S FIDUCIARY RESPONSIBILITY

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs and donors for student loans and scholarships. The District's fiduciary activities are reported 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 we 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.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The District's economic strength is directly affected by the economic well-being of California. As the State's economy has been weak and intermittent, the impact of continuing restricted state resources to the District has limited its ability to provide access to educational services demanded by potential students. We anticipate continued restrictions in state funding as the state deals with its budget deficit and the weak economic recovery. These conditions will limit the ability of the District to meet the growing demands of its student population.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

ASSETS	Primary Government
CURRENT ASSETS	
Cash and cash equivalents	\$ 21,027,692
Accounts receivable	3,487,361
Total Current Assets	<u>24,515,053</u>
NONCURRENT ASSETS	
Capital assets, net of accumulated depreciation	85,171,474
Total Noncurrent Assets	<u>85,171,474</u>
TOTAL ASSETS	<u>109,686,527</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>11,861,117</u>
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	2,280,651
Unearned revenue	7,771,120
Current Portion - Long-term liabilities	2,862,827
Total Current Liabilities	<u>12,914,598</u>
NONCURRENT LIABILITIES	
Noncurrent portion - Long-term liabilities	153,456,733
TOTAL LIABILITIES	<u>166,371,331</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,303,312</u>
NET POSITION	
Net investment in capital assets	26,317,665
Restricted for:	
Debt service	4,028,676
Capital projects	1,371,430
Unrestricted	(77,844,770)
TOTAL NET POSITION	<u>\$ (46,126,999)</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Primary Government</u>
OPERATING REVENUES	
Student Tuition and Fees	\$ 2,565,790
Less: Scholarship discount & allowance	19,334,086
Net tuition & fees	<u>21,899,876</u>
Grants and Contracts, noncapital:	
Federal	2,815,668
State	11,521,241
Local	113,278
Internal Service Sales and Charges	92,416
Other operating revenues	<u>14,542,603</u>
Subtotal	<u>14,542,603</u>
TOTAL OPERATING REVENUES	<u><u>36,442,479</u></u>
 OPERATING EXPENSES	
Salaries	32,659,851
Benefits	21,011,316
Financial aid	22,217,851
Supplies, materials, & other operating expenses	8,651,577
Depreciation	2,900,647
TOTAL OPERATING EXPENSES	<u><u>87,441,242</u></u>
 OPERATING LOSS	<u>(50,998,763)</u>
 NONOPERATING REVENUES/(EXPENSES)	
State apportionments, non-capital	25,184,336
Local property taxes	11,523,876
State taxes & other revenues	12,939,433
Other financing sources	285,000
Investment income - non-capital	111,273
Interest expense	(4,946,990)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u><u>45,096,928</u></u>
 CHANGE IN NET POSITION	(5,901,835)
 BEGINNING NET POSITION	<u>(40,225,164)</u>
 ENDING NET POSITION	<u><u>\$ (46,126,999)</u></u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Primary Government</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 21,899,876
Grants and contracts	14,542,603
Payments to or on behalf of employees	(53,671,167)
Payments to vendors for supplies and services	(8,651,577)
Payments to students for scholarships and grants	(22,217,851)
Net Cash Flows From Operating Activities	<u>(48,098,116)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments	25,184,336
Property taxes	11,523,876
State taxes and other revenue	22,276,819
Net Cash Flows From Non-capital Financing Activities	<u>58,985,031</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Principal and interest paid on capital debt	<u>(7,399,418)</u>
Net Cash Flows From Capital Financing Activities	<u>(7,399,418)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>285,000</u>
Net Cash Flows From Investing Activities	<u>285,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,772,497
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>17,255,195</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 21,027,692</u>

IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS, continued
FOR THE YEAR ENDED JUNE 30, 2017

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating Loss	\$ (50,998,763)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation expense	2,900,647
Changes in Assets and Liabilities:	
Receivables, net	(813,676)
Inventory and prepaid expenditures	8,000
Accounts payable and accrued liabilities	233,951
Pension liability	(10,264,376)
Deferred revenue	2,312,152
Deferred inflows and outflows of resources	8,523,949
Total Adjustments	2,900,647
Net Cash Flows From Operating Activities	\$ (48,098,116)

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING

Cash in banks	\$ 147,605
Cash in county treasury	20,619,958
Cash with fiscal agent	260,129
Total Cash and Cash Equivalents	\$ 21,027,692

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Associated Student Trust</u>	<u>Student Representation Fee Trust</u>	<u>Scholarship and Loan Trust</u>	<u>Campus Organizations</u>
ASSETS				
Cash	\$ 139,485	\$ -	\$ 10,391	\$ 146,695
Total Assets	<u>139,485</u>	<u>-</u>	<u>10,391</u>	<u>146,695</u>
NET POSITION				
Restricted Net Position	139,485	-	10,391	146,695
Total Net Position	<u>\$ 139,485</u>	<u>\$ -</u>	<u>\$ 10,391</u>	<u>\$ 146,695</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FUND NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Associated Student Trust	Associated Student Trust	Scholarship and Loan Trust	Campus Organizations
Additions				
Sales and other local revenues	\$ -	\$ 20,661	\$ -	\$ -
Investment income	121,399	-	77,834	103,709
Total Additions	121,399	20,661	77,834	103,709
Deductions				
Salaries and benefits	6,947	-	-	-
Other operating expenses and services	88,325	20,661	-	-
Capital Outlay	7,891	-	-	-
Other outgo	-	-	81,105	83,142
Total Deductions	103,163	20,661	81,105	83,142
CHANGE IN NET POSITION	18,236	-	(3,271)	20,567
BEGINNING NET POSITION	121,249	-	13,662	126,128
ENDING NET POSITION	\$ 139,485	\$ -	\$ 10,391	\$ 146,695

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Reporting Entity

The Imperial Community College District (District) is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the State, it is not a component unit of the state in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14. The District is classified as a state instrumentality under Internal Revenue Code Section 115, and is also classified as a charitable organization under Internal Revenue Code Section 501(c)(3), and is therefore exempt from federal taxes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and GASB Statement 14 as amended by GASB Statement 39.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

GASB released Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments” in June 1999, which released Statement No. 35, “Basis Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities,” which applies the new reporting standards of GASB Statement No. 34 to public colleges and universities. The GASB then amended those statements in June 2001 with the issuance of GASB Statements No. 37 and No. 38.

The District now follows the financial statement presentation required by GASB Statements No. 34, 35, 37, 38 and 39. This presentation provides a comprehensive, entity-wide perspective of the District’s assets, cash flows, and replaces the fund-group perspective previously required.

B. Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities (BTA). Accordingly, the District’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. All material intra-agency transactions have been eliminated.

The District records revenues when earned and expenses when a liability is incurred regardless of the timing of the related cash flow. It has also elected to apply all Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless FASB conflicts with budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor’s Office’s *Budget and Accounting Manual*.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the county treasurer's investment pool are considered cash equivalents.

D. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts externally restricted as to use pursuant to the requirements of the District's grants and contracts and amounts.

E. Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, many residing in the State of California. Accounts receivable also include amounts due from the federal government, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District does not record an allowance for uncollectible accounts. When receivables are determined to be uncollectible, a direct write-off is recorded.

F. Inventories

Inventories, primarily bookstore merchandise, are carried at the lower cost of market using the first-in, first-out ("FIFO") method. The cost is recorded as an expense as the inventory is expensed.

G. Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Capitalized equipment includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged as operating expense in the year in which the expense was incurred.

Depreciated of capitalized assets is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 15 years for portable buildings, 10 years for land improvements, 8 years for most equipment and vehicles, and 3 years for technology equipment such as computers.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Net Position

The District's Net Position is classified as follows:

- *Invested in capital assets, net of related debt* – This represents the District's total investment in capital assets, net of associated outstanding debt obligations. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component invested in capital assets, net of related debt.
- *Restricted net position – expendable* – Restricted expendable net position include resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- *Restricted net position – nonexpendable – Nonexpendable* restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- *Unrestricted net position* – Unrestricted net position represent resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose. Although the governing board may designate these funds for special purposes, the funds remain unrestricted.

When an expense is incurred that can be paid using either restricted or unrestricted funds, the District's policy is to utilize available restricted resources, followed by unrestricted resources.

I. State Apportionments

Certain current year apportionments from the state are based on various financial and statistical information of the previous year. Any prior year corrections due to the recalculation in February of the subsequent year and are recorded in the District's financial records when received.

J. On-Behalf Payments

GASB Statement 24 requires that direct on-behalf payments for firing benefits and salaries made by one entity to a third-party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' and Public Employees' Retirement System on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructs districts not to record revenue and expenditures for these on-behalf payments.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

L. Operating Revenues

Operating revenues include all revenues from programmatic sources. Non-operating revenues include state apportionments, state and local tax revenues, investment income and gifts.

M. Classification of Revenues

The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, local property taxes and investment income. Revenues are classified per the following criteria:

- Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local contracts and federal appropriations, and (4) interest on institutional student loans.
- Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, most federal, state and local grants, and other revenue sources described in GASB Statement No. 34, such as state appropriations and investment income.

N. Investments

In accordance with GASB Statement 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments are reported at fair value. However, cash in the county treasury and some investments are recorded at cost, which approximates fair value.

O. Restricted Cash and Cash Equivalents

Cash that is externally restricted for contractual obligations such as debt service payments, sinking or reserve funds, or to purchase or construct capital or other non-current assets is classified as a non-current asset in the statement of Net Position.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Compensated Absences

Compensated absence costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year-end as liabilities of the District. The District also participates in and accrues “load banking” with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

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

Q. Scholarship Discounts and Allowances

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students’ behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as operating revenues in the district’s financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

R. Federal Financial Assistance Programs

The District participates in Federally funded Pell Grants, SEOG Grants, and Federal Work-Study, 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. These programs are audited in accordance with the Uniform Guidance. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students.; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS, continued
 FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. New Accounting Pronouncements

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard’s primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

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

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*. This standard’s primary objective is to address issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The majority of this Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 82 for the year ended June 30, 2017.

NOTE 3 – CASH AND INVESTMENTS

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.

All certificates of deposit are collateralized as required by California state law for any amount exceeding FDIC or ESLIC coverage. Collateral is held in trust by the institutions and monitored by the State Superintendent of Banking.

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

Primary Government	\$	21,027,692
Fiduciary funds		296,571
Total Cash & Cash Equivalents	\$	21,324,263
Cash in county treasury	\$	20,619,958
Cash on hand in banks		444,176
Cash with fiscal agent		260,129
Total Cash & Cash Equivalents	\$	21,324,263

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS, continued
 FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3 – CASH AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates. The District manages its exposure to interest rate risk by primarily investing in the County Investment Pool and in other investment agreements.

Specific Identification

Information about the sensitivity of the fair market values of the District’s investments to market interest rate fluctuations is indicated by the following schedule that shows the distribution of the District’s investment by maturity:

Investment or Deposit Type	Fair Market Value	Maturity Date
Imperial County Investment Pool	\$ 20,549,585	366

*Weighted average days to maturity

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District’s investment in the County pool is not required to be rated, nor has it been rated as of June 30, 2017. Presented below is the minimum rating required by the California Government Code, the District’s investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2017:

Federal			
Categorical aid	\$	744,783	
State			
Apportionment		454,922	
Categorical aid		559,958	
Local			
Other local sources		1,727,698	
	Total	\$	3,487,361

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, is summarized below:

	Balance		Balance
	July 01, 2016	Net Change	June 30, 2017
Governmental Activities			
Capital assets not being depreciated			
Land	\$ 160,000	\$ -	\$ 160,000
Construction in progress	791,584	82,117	873,701
Total Capital Assets not Being Depreciated	951,584	82,117	1,033,701
Capital assets being depreciated			
Land improvements	16,026,663	(91,606)	15,935,057
Buildings & improvements	89,836,999	37,960	89,874,959
Furniture & equipment	5,732,400	795,467	6,527,867
Total Capital Assets Being Depreciated	111,596,062	741,821	112,337,883
Total Capital Assets	112,547,646	823,938	113,371,584
Less Accumulated Depreciation			
Land improvements	5,339,471	468,064	5,807,535
Buildings & improvements	16,757,836	2,099,702	18,857,538
Furniture & equipment	3,202,156	332,881	3,535,037
Total Accumulated Depreciation	25,299,463	2,900,647	28,200,110
Governmental Activities			
Capital Assets, net	\$ 87,248,183	\$ (2,076,709)	\$ 85,171,474

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 6 – LONG-TERM OBLIGATIONS

Long-term liabilities for the year ended June 30, 2017, are summarized as follows:

	Balance June 30, 2016	Adjustments	Additions	Deductions	Balance June 30, 2017	Due Within One Year
GO Bonds	\$ 74,276,929	\$ -	\$ -	\$ 2,452,428	\$ 71,824,501	\$ 2,708,191
Accreted Interest	13,221,445	47,390	2,380,167	72,572	15,576,430	-
Bond Premium	2,693,056	67,318	-	154,636	2,605,738	154,636
Compensated absences	110,440	594,698	83,855	-	788,993	-
OPEB Obligation	16,336,971	-	3,212,510	-	19,549,481	-
Pension liabilities	35,664,187	-	10,264,376	-	45,928,563	-
Totals	\$ 142,303,028	\$ 709,406	\$ 15,940,908	\$ 2,679,636	\$ 156,273,706	\$ 2,862,827

Description on Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax collections. The General Fund makes payments for the lease revenue bonds, capital leases, and the supplemental employee retirement plan. An accrued vacation will be paid by the fund for which the employee worked.

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

Bonded Debt

In August 2002, the District entered into a trust indenture with the California Community College Financing Authority to issue lease revenue bonds in order to provide funding for the implementation of a District-wide computer and software networking system. The bonds consist of Series 2002A bonds of which the District's portion of the issuance was \$3,370,000. Interest is payable February 1 and August 1 of each year, commencing on February 1, 2003 at rates ranging from 1.4% to 5.0%. Principal is payable on August 1 of each year commencing on August 1, 2003 and through the maturity date August 1, 2017.

In January 2005, the District authorized the sale and issuance of General Obligation Bonds, Election of 2004, and Series 2005A in the amount of \$24,500,000. Proceeds from the sale of the bonds will be used to finance the addition and modernization of college facilities for the District. Interest is payable February 1, and August 1, commencing August 1, 2005 at rates ranging from 3.30% to 7.00%. Principal is payable August 1, commencing August 1, 2005 at rates ranging from 3.30% to 7.00%. Principal is payable August 1, commencing August 1, 2006 and through the maturity date August 1, 2029.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 6 – LONG-TERM OBLIGATIONS (continued)

Bonded Debt (continued)

August 1, 2007 at rates ranging from 4.00% to 4.25%. Principal is payable on August 1, commencing August 1, 2009 and through the maturity date August 1, 2031.

In November 2007, the District authorized the sale and issuance of General Obligation Bonds, Election of 2004, and Series 2007C in the amount of \$11,915,816. Proceeds from the sale of the bonds will be used to finance the addition and modernization of college facilities for the District. Interest is payable February and August 1, commencing August 1, 2009 and through the maturity date August 1, 2032.

In May 2009 the District issued \$3,031,779 in General Obligation Bonds to provide funding for college facilities projects as stated in the ballot measure for the District. Interest is payable semi-annually on February 1 and August 1 of each year at an interest rates ranging from 3.6%-6.9% commencing August 1, 2009. Principal is payable on August 1 of each year commencing August 1, 2009 and the maturity date August 1, 2033.

In May 2009, the District issued \$5,866,919 in General Obligation Bonds to provide funding for college facilities projects as stated in the ballot measure for the District. Interest is payable semi-annually on February 1 and August 1 of each year at an interest rate of 6.9% commencing August 1, 2009. Principal is payable on August 1 of each year commencing August 1, 2033 and through the maturity date August 1, 2037.

In January 2011, the District issued \$9,405,512 in General Obligations Bonds to provide funding for college facilities projects as stated in the ballot measure for the District. Interest is payable semi-annually on February 1 and August 1 of each year at an interest rate of 6.8% commencing August 1, 2015. Principal is payable on August 1 of each year commencing August 1, 2015 and through the maturity date August 1, 2040.

In March 2014, the District issued \$16,642,939 of 2010 Election, Series 2014A, General Obligation Bonds to finance certain college facilities. The issue consisted of (a)\$3,610,000 Current Interest Bonds with an interest rate of 5.00% due August 1, 2041, (b) \$7,980,000 Current Interest Bonds with an interest rate of 4.625% due August 1, 2041, (c) \$1,965,733 Capital Appreciation Bonds with interest rates ranging from 3.95% to 7.99% due August 1, 2016 through August 2034, and (d) \$3,087,206 Convertible Capital Appreciation Bonds with interest rates ranging from 4.5% to 5.1% due August 2029 through August 2037.

Principal payments on the bonds are due August 1 of each year beginning August 1, 2016 while interest is paid semi-annually on February 1 and August 1 each year through maturity. Net proceeds of \$16,491,950, after premium cost of issuance, were deposited into an escrow deposit and trust account to provide for the payment for the District's 2010 General Obligation Bond Anticipation Notes of \$14,000,956 due August 2014, with additional proceeds of \$150,939, deposited into the Measure J Building Fund to provide for the financing of college facilities.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 6 – LONG-TERM OBLIGATIONS (continued)

Bonded Debt (continued)

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

	Issuance		Maturity Date	Amount of		July 1, 2016			Redeemed Current Year	June 30, 2017		Due Within One Year
	Date	Yield		Original Issue	Balance	Adjustments	Additions	Balance				
Series 2002A Lease Revenue Bonds	8/1/2002	1.40-5.00%	8/1/2018	\$ 3,370,000	\$ 575,000	\$ -	\$ -	\$ 280,000	\$ 295,000	\$ 295,000		
Series 2005	1/20/2005	3.30-7.00%	8/1/2029	24,500,000	18,930,000	-	-	450,000	18,480,000	520,000		
Series 2006B	11/29/2006	4.00-4.30%	8/1/2031	13,285,473	10,665,473	-	-	870,000	9,795,473	985,000		
Series 2007C	11/1/2007	4.00-7.00%	8/1/2031	11,915,816	9,615,816	-	-	550,000	9,065,816	565,000		
Series 2009D	5/5/2009	3.60-6.90%	8/1/2034	3,031,779	2,980,194	-	-	69,818	2,910,376	89,518		
Series 2009E	5/5/2009	6.90%	8/1/2038	5,866,919	5,866,919	-	-	-	5,866,919	-		
Series 2011A	1/27/2011	3.50-7.00%	8/1/2040	9,405,512	9,000,588	-	-	-	9,000,588	11,706		
Series 2014A	3/19/2014	3.95-7.99%	8/1/2041	16,642,939	16,642,939	-	-	232,610	16,410,329	241,967		
				<u>\$ 88,018,438</u>	<u>\$ 88,018,438</u>	<u>\$ 88,018,438</u>	<u>\$ 88,018,438</u>	<u>\$ 88,018,438</u>	<u>\$ 88,018,438</u>	<u>\$ 88,018,438</u>		
Accreted Interest					13,221,445	47,390	2,380,167	72,572	15,576,431	-		
Bond Premium					2,693,056	67,318	-	154,636	2,605,738	154,636		

The annual requirements to amortize bonds payable outstanding at June 30, 2017 are summarized below:

Year Ending	June 30,		
	Principal	Interest	Total
2018	\$ 2,708,191	\$ 2,397,738	\$ 5,105,929
2019	1,882,264	3,261,341	5,143,605
2020	2,294,292	2,993,211	5,287,503
2021	2,480,827	3,128,276	5,609,103
2022	2,722,553	3,081,610	5,804,163
2023-2027	13,733,682	18,696,534	32,430,216
2028-2032	15,372,485	23,590,863	38,963,348
2033-2037	9,248,963	34,369,981	43,618,944
2038-2042	21,381,244	13,504,779	34,886,023
Accretion	15,576,431	(851,528)	14,724,903
Total	<u>\$ 87,400,932</u>	<u>\$ 104,172,805</u>	<u>\$ 191,573,737</u>

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

The District provides postemployment health care benefits in accordance with District employment contracts to all employees and their eligible dependents who retire from the District until attaining age 65 with at least ten years in service. When the retiree attains age 65, all postemployment benefits cease. The District contributes 100 percent of the amount of the benefit premium costs incurred by retirees and their dependents.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Description and Contribution Information

Membership of the plan consisted of the following at May 16, 2017, the date of the latest actuarial valuation:

Eligible Retirees	195
Eligible Active Employees	265
Total	<u>460</u>
 Number of participating employers	 1

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

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio
5/16/2016	\$ -	\$ 48,418,997	\$ 34,277,992	0%

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

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by the employer in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Additional information as of the latest actuarial valuation follows:

Valuation Date	5/16/2016
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Percentage of Payroll
Amortization Period	30 Years
Asset Valuation	Market Value Basis
Actuarial Assumptions:	
Inflation rate	2.75%
Discount rate	4.50%
Healthcare cost trend rates:	
Long-term	4.00%

Annual OPEB Cost and Net OPEB

The following table shows the elements of the District’s annual OPEB cost for the year, the amount actually paid on behalf of the plan, and changes in the District’s net OPEB to the plan for the fiscal year ended June 30, 2017:

Annual required contribution (ARC)	\$ 4,727,865
Annual OPEB cost	<u>4,727,865</u>
Contributions made:	-
Pay-as-you-go cost	<u>1,515,355</u>
Total contributions made	<u>1,515,355</u>
Increase in net OPEB obligation	3,212,510
Net OPEB obligation - June 30, 2016	<u>16,336,971</u>
Net OPEB obligation - June 30, 2017	<u>\$ 19,549,481</u>

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 8 – PENSION PLANS

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

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 32,081,078	\$ 6,527,205	\$ 782,582	\$ 3,592,974
PERS Pension	13,847,485	5,333,912	520,730	1,863,768
Total	\$ 45,928,563	\$ 11,861,117	\$ 1,303,312	\$ 5,456,742

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits provided

The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS, continued
 FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 8 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Benefits provided (continued)

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2017, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2017 was 12.58% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$2,482,790 for the year ended June 30, 2017.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,601,466 to CalSTRS.

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:

District's proportionate share of the net pension liability	\$ 32,081,078
State's proportionate share of the net pension liability associated with the District	729,412,982
Total	<u>\$ 761,494,060</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District’s proportion was .04 percent, which was an increase of .003% of from its proportion measured as of June 30, 2015.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 8 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

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

For the year ended June 30, 2017, the District recognized pension expense of \$3,592,974. In addition, the District recognized pension expense and revenue of \$3,259,056 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 2,550,430	\$ -
Differences between expected and actual experience	-	782,582
Changes in proportion and differences between District contributions and proportionate share of contributions	2,689,250	-
District contributions subsequent to the measurement date	2,428,790	-
	<u>\$ 7,668,470</u>	<u>\$ 782,582</u>

The \$2,428,790 reported as 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 year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 547,623	\$ 142,825
2019	547,623	142,825
2020	1,974,555	142,825
2021	1,448,553	142,825
2022	491,980	142,825
2023	229,346	68,457
	<u>\$ 5,239,680</u>	<u>\$ 782,582</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS, continued
 FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 8 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield*	7.60%
Wage Inflation	3.75%

* Net of investment expenses, but gross of administrative expenses.

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 actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

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 (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that 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 by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2016 are summarized in the following table:

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

* 20-year geometric average

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS, continued
 FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 8 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Discount rate

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

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

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

	Decrease (6.60%)	Discount Rate (7.60%)	Increase (8.60%)
District’s proportionate share of the net pension liability	\$ 46,171,906	\$ 32,081,078	\$ 20,378,055

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

California Public Employees’ Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits provided

The benefits for the defined benefit plan are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 8 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS)

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2017 was 13.888% of annual payroll. Contributions to the plan from the District were \$1,287,525 for the year ended June 30, 2017.

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 of \$13,847,485 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District’s proportion was .070% percent, which was a decrease of .001 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,863,768. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 2,148,684	\$ -
Differences between expected and actual experience	595,575	-
Changes in assumptions	-	416,034
Changes in proportion and differences between District contributions and proportionate share of contributions	160,863	104,696
District contributions subsequent to the measurement date	1,287,525	-
	<u>\$ 4,192,647</u>	<u>\$ 520,730</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 8 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

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

The \$1,287,525 reported as 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 year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 661,648	\$ 222,598
2019	632,814	273,134
2020	1,049,872	24,998
2021	560,788	-
	<u>\$ 2,905,122</u>	<u>\$ 520,730</u>

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield*	7.65%
Wage Inflation	Varies by Entry Age and Service

* Net of investment expenses, but gross of administrative expenses.

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 8 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial assumptions (continued)

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. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 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 table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

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

* An expected inflation of 2.5% used for this period
** An expected inflation of 3.0% used for this period

Discount rate

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS, continued
 FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 8 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District’s proportionate share of the net pension liability	\$ 20,660,524	\$ 13,847,485	\$ 8,174,288

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 9 – JOINT POWERS AGREEMENT

Description

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has one self-insurance fund (Internal Service Fund) which represents the required reserves for the District’s self-funded Dental and Vision programs.

Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Participation in Public Entity Risk Pools and JPAs

The Imperial Community College District participates in two joint powers agreements (JPA’s) with the Imperial County School Districts Property and Liability Authority (ICSDPL) and the Self-Insured Program for Imperial County (SIPIC). The relationship between the Imperial Community College District and the JPA’s is such that the JPA’s are not component units of the Imperial Community College District for financial reporting purposes. The JPA’s arrange for and provide workers compensation, health, property and liability insurance for its members. A board consisting of a representative from each member district governs each JPA. The board controls the operations of each JPA including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in each JPA. Financial information for the JPA’s at June 30, 2017 was not available at the time this report was issued. The information can be obtained by contacting the JPA directly.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 – FUNCTIONAL EXPENSES

	Instructional Salaries and Benefits	Non-Instructional Salaries and Benefits	Operating Expenses	Other Outgo	Total
Instructional Activities	\$ 22,232,237	\$ 6,958	\$ 605,084	\$ -	\$ 22,844,279
Instructional Admin. & Governance	-	5,921,294	1,010,515	-	6,931,809
Instructional Support Services	754,639	3,357,401	191,542	-	4,303,582
Admissions and Records	-	730,268	20,511	-	750,779
Student Counseling and Guidance	-	4,235,545	327,992	-	4,563,537
Student Services	-	5,470,075	860,254	-	6,330,329
Operation and Maintenance of Plant	-	2,297,005	1,221,921	-	3,518,926
Planning, Policy Making and Coordination	-	828,534	166,374	-	994,908
Institutional Support Services	-	5,692,519	4,231,679	-	9,924,198
Community Services and Economic Development	-	46,359	27,129	-	73,488
Ancillary Services and Auxiliary Operations	-	1,147,101	482,935	-	1,630,036
Auxiliary Operations	-	456,873	-	-	456,873
Transfers, Student Aid and Other Outgo	-	-	-	22,217,851	22,217,851
Depreciation Expense	-	-	-	2,900,647	2,900,647
Total	\$ 22,986,876	\$ 30,189,932	\$ 9,145,936	\$ 25,118,498	\$ 87,441,242

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. State of Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, we believe that any required reimbursements will not be material. The District overreported attendance in certain adult education off-campus courses that may result in the repayment to the state for the overclaimed and reimbursed FTES. We extrapolated and reported the overstatement of FTES is within the related finding(s).

B. 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 as of June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2017**

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
5/16/2016	\$ -	\$ 48,418,997	\$ 34,277,992	0%	\$ 30,871,117	111%

See accompanying note to supplementary information.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE FOR THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY – STRS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.040%	0.037%	0.350%
District's proportionate share of the net pension liability	\$ 32,081,078	\$ 25,216,202	\$ 20,452,944
States's proportionate share of the net pension liability associated with the District	18,265,874	13,336,556	307,580,299
Total	<u>\$ 50,346,952</u>	<u>\$ 38,552,758</u>	<u>\$ 328,033,243</u>
District's covered payroll	\$ 19,946,670	\$ 19,698,761	\$ 18,330,412
District's proportionate share of the net pension liability as a percentage of its covered payroll	160.8%	128.0%	111.6%
Plan fiduciary net position as a percentage of the total pension liability.	70.0%	74.0%	76.5%

See accompanying note to supplementary information.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY—PERS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.070%	0.071%	0.720%
District's proportionate share of the net pension liability	\$ 13,847,485	\$ 10,447,985	\$ 8,151,048
District's covered payroll	\$ 9,289,375	\$ 8,489,613	\$ 7,998,284
District's proportionate share of the net pension liability as a percentage of its covered payroll	149.1%	123.1%	101.9%
Plan fiduciary net position as a percentage of the total pension liability.	73.9%	79.4%	83.4%

See accompanying note to supplementary information.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – STRS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,428,790	\$ 2,086,304	\$ 1,587,523
Contributions in relation to the contractually required contribution*	(2,428,790)	(2,086,304)	(1,587,523)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 19,946,670	\$ 19,698,761	\$ 18,330,412
Contributions as a percentage of covered payroll	12.18%	10.59%	8.66%

*Amounts do not include on behalf contributions

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – PERS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,287,525	\$ 1,005,716	\$ 1,398,158
Contributions in relation to the contractually required contribution	(1,287,525)	(1,005,716)	(1,398,158)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,289,375	\$ 8,489,613	\$ 7,998,284
Contributions as a percentage of covered payroll	13.86%	11.85%	17.48%

See accompanying note to supplementary information.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – PURPOSE OF THE SCHEDULE

A. Schedule of Postemployment Healthcare Benefits Funding Progress

This schedule is prepared to show information for the most recent actuarial valuation and from the three most recent actuarial valuations in accordance with Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for post-employment benefits other than pensions.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

C. Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employer payroll.

SUPPLEMENTARY INFORMATION

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2017**

The Imperial Community College District (the District) is in the city of Imperial, California. The District presently operates one primary campus within the County of Imperial. There have been no changes in the District’s boundaries during the current year.

The Governing Board for the fiscal year ended June 30, 2017 was comprised of the following members:

Board of Trustees

NAME	OFFICE	TERM EXPIRES
Karla Sigmond	President	November 2018
Steven M. Taylor	Clerk of the Board	November 2018
Rudy Cardenas	Member	November 2020
Romualdo Medino	Member	November 2020
Juanita Salas	Member	November 2018
Jerry Hart	Member	November 2020
Louis Wong	Member	November 2020

District Executive Officers

Name	Title
Victor M. Jaime, Ed.D	President/Superintendent
John Lau	Vice President of Business Services
Dr. Nicholas Akinkuoye	Vice President of Academic Affairs
Dr. Martha Garcia	Vice President of Student Services
John Lau	Interim, Chief Human Resource Officer

**IMPERIAL 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	Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S. Department of Education:			
Pell Grant	84.063		\$ 19,143,486
Upward Bound	84.038		625,943
Supplemental Educational Opportunity Grant	84.807		203,307
Federal College Work Study	84.033		430,701
Student Support Services	84.042		451,559
Talent Search	84.044		357,297
CTE Transitions (Old Tech Prep)	84.048		43,748
Pell Administration	84.063		25,585
U.S Department of Veterans Affairs: Veterans Education	64.116		1,160
Title V – TALCAS Grant	84.031S		360,910
Passed Through California Department of Education CTE-Title IC	84.048		284,267
Total U.S. Department of Education			<u>21,927,963</u>
Passed Through Employment Development Department			
WIA Office Technology	17.258		42,735
U.S. Department of Health and Human Services:			
Temporary Assistance For Needy Families	93.558		56,706
U.S. Department of Labor:			
Department of Rehabilitation	84.126A		63,731
U.S. Department of Agriculture:			
Nutrition Program	10.555		45,581
Passed Through California Department of Education			
Summer Food Service Program	10.559		13,038
Total Expenditures of Federal Awards			<u>\$ 22,149,754</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Imperial Community College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Program Name	Cash Received	Accounts Receivable	Deferred Revenue	Total	Total Program Expenditures
State Awards:					
Institutional Effectiveness Grant (15118)	\$ 200,000	\$ -	\$ 119,811	\$ 80,189	\$ 80,189
Basic Skills Pilot Program (15119)	56,000	-	54,669	1,331	1,331
Disabled Student Program and Services (15401)	412,552	-	-	412,552	412,552
Disabled Student Program and Services (154018)	2,945	-	-	2,945	2,945
Extended Opportunity Program and Services (15305)	1,215,641	-	-	1,215,641	1,215,641
Behavioral Health (15403)	238,434	45,116	-	283,550	283,550
Staff Diversity c/o (159018)	4,081	-	1,849	2,232	2,232
Cal Grant (74701)	2,185,390	4,175	-	2,189,565	2,189,565
Full-Time Incentive Grant (74702)	717,803	-	112,275	605,528	605,528
Full-Time Incentive Grant c/o (747028)	88,672	-	-	88,672	88,672
ICOE/AEGB (16008)	62,954	-	-	62,954	62,954
CalWorks (15501)	221,245	-	-	221,245	221,245
CalWorks (15505)	103,513	-	-	103,513	103,513
CalWorks Assessment (17308)	365,726	106,683	-	472,409	472,409
Care Program (15801)	259,488	-	-	259,488	259,488
Child Development Center (33001)	282,278	72,350	-	354,628	332,495
Child Development Center (33002)	258,204	-	-	258,204	238,399
Foster Care (16202)	30,610	47,085	-	77,695	77,695
Foster Care - CSEC Allocation (16214)	2,550	-	-	2,550	2,550
SB 1070 CTE Reg Pathways (15618)	22,519	-	-	22,519	22,519
IEPI Leadership Dev Fund Award (15624)	25,155	-	15,768	9,387	9,387
Strong Workforce Program (15631)	683,550	-	674,610	8,940	8,940
Enrollment Fee Administration (15902)	142,678	-	-	142,678	142,678
Basic Skills (18306) 15-16	171,609	-	-	171,609	171,609
Basic Skills (18307) 16-17	163,041	-	162,699	342	342
CCPT Ca Career Pathways Grant (15625)	4,891,923	-	3,129,575	1,762,348	1,762,348
CTE Enhancement Grant 40% (15617)	12,305	-	-	12,305	12,305
Prop 39 Grossmont-Cuyamaca (15622)	43,800	-	-	43,800	43,800
Prop 39 Energy Funds 15-16 (15612)	155,384	-	91,424	63,960	63,960
Enrollment Fee Waiver - ACA (15201)	353,434	-	-	353,434	353,434
Additional Enrollment Growth Grant (15905)	89,259	7,741	-	97,000	97,000
Nursing Retention Grant 10-107-012 (15917)	52,422	4,578	-	57,000	57,000

Continued on next page

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS (continued)
FOR THE YEAR ENDED JUNE 30, 2017**

Program Name	Cash Received	Accounts Receivable	Deferred Revenue	Total	Total Program Expenditures
15-16 Phys Plant & Instr Support Grant (16302)	535,788	-	410,180	125,608	125,608
16-17 Phys Plant & Instr Support Grant (16303)	1,118,374	-	308,428	809,946	809,946
Student Support and Success Program					
Credit (16004)	1,389,592	-	680,506	709,086	709,086
Credit c/o (160048)	693,278	-	-	693,278	693,278
Non-credit (16213)	22,291	-	6,043	16,248	16,248
Non-credit c/o (162138)	30,865	-	-	30,865	30,865
Student Equity (16005)	1,057,093	-	230,947	826,146	826,146
Student Equity (160058)	470,953	-	-	470,953	470,953
ICOE/AEGB 16-17 (16009)	-	84,986	-	84,986	84,986
Independent Living (162068)	5,993	-	4,437	1,556	1,556
Instructional Equipment/Library Materials (16301)	57,117	-	279	56,838	56,838
Instructional Equipment/Library Materials c/o (163018)	13,351	-	-	13,351	13,351
Total State Programs	\$ 18,909,860	\$ 372,714	\$ 6,003,500	\$13,279,074	\$ 13,237,136

See accompanying note to supplementary information.

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

	<u>Reported Data</u>	<u>Audit Adjustment</u>	<u>Revised Data</u>
A. Summer Intersession (Summer Only)			
1. Noncredit	-	-	-
2. Credit	11.05	-	11.05
B. Summer Intersession (Summer - Prior to July 1)			
1. Noncredit	1.42	-	1.42
2. Credit	519.99	-	519.99
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedures Courses			
(a) Weekly Census Contact Hours	5,092.83	-	5,092.83
(b) Daily Census Contact Hours	544.76	-	544.76
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	52.98	-	52.98
(b) Credit	185.00	-	185.00
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	349.78	-	349.78
(b) Daily Census Procedure Courses	96.47	-	96.47
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES			
Total Credit FTES	6,799.88	-	6,799.88
Total Noncredit FTES	54.40	-	54.40
Total	<u>6,854.28</u>	<u>-</u>	<u>6,854.28</u>
Supplemental Information (subset of information above)			
In-service Training Courses (FTES)	12.16		
Basic Skills Courses and Immigrant Education			
1. Noncredit	21.61		
2. Credit	1,075.57		

See accompanying note to supplementary information.

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

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE GOVERNEMENTAL FUND BALANCE SHEETS TO THE
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

General Fund	\$	9,624,248
Bond Interest and Redemption Fund		4,028,676
Child Development Fund		108,491
Capital Outlay Fund		1,371,430
Revenue Bond Construction Fund		260,129
Self Insurance Fund		53,449
Total Audited Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)	\$	15,446,423

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation are added to total net assets.

85,171,474

Unamatured interest

(983,141)

Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds. Long-termed liabilities are added to the statement of net assets which reduces the total net assets reported. Long-term liabilities at year-end consist of:

General Obligation Bonds Payable	(71,824,501)
Premium on issuance of bonds	(2,605,738)
Current year accreted interest	(15,576,430)
Compensated absences	(788,993)
OPEB Obligation	(19,549,481)
Pension liabilities	(45,928,563)

Net amounts included in net assets related to GASB 68 10,557,805

Total Net Assets \$ (46,081,145)

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

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ESCB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustment s	Revised Data	Reported Data	Audit Adjustment s	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	8,254,455	-	8,254,455	8,254,455	-	8,254,455
Other	1300	5,532,858	-	5,532,858	5,532,858	-	5,532,858
Total Instructional Salaries		13,787,313	-	13,787,313	13,787,313	-	13,787,313
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	3,770,650	-	3,770,650
Other	1400	-	-	-	137,402	-	137,402
Total Non-Instructional Salaries		-	-	-	3,908,052	-	3,908,052
Total Academic Salaries		13,787,313	-	13,787,313	17,695,365	-	17,695,365
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	6,722,654	-	6,722,654
Other	2300	-	-	-	76,084	-	76,084
Total Non-Instructional Salaries		-	-	-	6,798,738	-	6,798,738
Instructional Aides							
Regular Status	2200	354,604	-	354,604	354,604	-	354,604
Other	2400	114,935	-	114,935	114,935	-	114,935
Total Instructional Aides		469,539	-	469,539	469,539	-	469,539
Total Classified Salaries		469,539	-	469,539	7,268,277	-	7,268,277
Employee Benefits	3000	5,660,312	-	5,660,312	11,237,554	-	11,237,554
Supplies and Materials	4000	-	-	-	429,752	-	429,752
Other Operating Expenses	5000	-	-	-	2,604,879	-	2,604,879
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		19,917,164	-	19,917,164	39,235,827	-	39,235,827
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	1,055,632	-	1,055,632	1,055,632	-	1,055,632
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	930,759	-	930,759
Object to Exclude							
Rents and Leases	5060	-	-	-	190,652	-	190,652
Lottery Expenditures		-	-	-	-	-	-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	17,821	-	17,821
Non-instructional Supplies & Materials	4400	-	-	-	144,319	-	144,319
Total Supplies and Materials		-	-	-	162,140	-	162,140
Other Operating Expenses and Services	5000	-	-	-	78,614	-	78,614
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment	6420	-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ 1,055,632	\$ -	\$ 1,055,632	\$ 3,125,497	\$ -	\$ 3,125,497
Total for ECS 84362, 50% Law		\$ 18,861,532	\$ -	\$ 18,861,532	\$ 36,110,330	\$ -	\$ 36,110,330
Percent of CEE (Instructional Salary Cost/Total CEE)		52.23%	0.00%	52.23%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ 18,055,165	\$ -	\$ 18,055,165	\$ 18,055,165	\$ -	\$ 18,055,165

See accompanying note to supplementary information.

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

EPA Revenue	\$ 5,523,340
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	
Instructional Activities	0100-5900	\$ 5,523,340	\$ -	\$ -	\$ 5,523,340
Total		\$ 5,523,340	\$ -	\$ -	\$ 5,523,340

See accompanying note to supplementary information.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – PURPOSE OF THE SCHEDULE

A. **Local Education Agency Organization Structure**

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

B. **Schedule of Expenditures of Federal Awards**

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

C. **Schedule of 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 financial statements.

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

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

E. **Reconciliation of Annual Financial and Budget Report with Fund Financial Statements**

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

F. **Reconciliation of Governmental Fund Balance Sheets to the Statement of Net Position**

This schedule provides a reconciliation of the adjustments necessary to bring the District's fund financial statements, prepared on a modified accrual basis, to the accrual basis required under GASB Statement No. 35.

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

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

H. **Details of the Education Protection Account**

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

OTHER INDEPENDENT AUDITORS' REPORTS

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

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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Independent Auditors' Report

Board of Trustees
Imperial Community College District
Imperial, 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 Imperial Community College District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Imperial Community College District's basic financial statements, and have issued our report thereon dated December 11, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness 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 Imperial Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Christy White Associates

San Diego, CA
December 11, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200,
UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES,
AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS**

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Independent Auditors' Report

Board of Trustees
Imperial Community College District
Imperial, California

Report on Compliance for Each Major Federal Program

We have audited Imperial Community College District's compliance with the types of compliance requirements described in the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, that could have a direct and material effect on each of Imperial Community College District's major federal programs for the year ended on June 30, 2017. Imperial Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Imperial Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, *Audits of States, Local Governments, and Non-Profit Organizations*.

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Those standards and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 Imperial Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Imperial Community College District complied, in all material respects, with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Imperial Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 Imperial Community College District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, CA
December 11, 2017

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Board of Trustees
Imperial Community College District
Imperial, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on State Compliance

In our opinion, Imperial Community College District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2017.

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Procedures Performed

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

- Section 421 – Salaries of Classroom Instructors (50 Percent Law)
- Section 423 - Apportionment for Instructional Service Agreements/Contracts
- Section 424 - State General Apportionment Funding System
- Section 425 - Residency Determination for Credit Courses
- Section 426 - Students Actively Enrolled
- Section 427 - Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 429 – Student Success and Support Program (SSSP)
- Section 430 – Scheduled Maintenance Program
- Section 431 - Gann Limit Calculation
- Section 435 - Open Enrollment
- Section 438 - Student Fees – Health Fees and Use of Health Fee Funds
- Section 439 – Proposition 39 Clean Energy
- Section 440 – Intercession Extension Program
- Section 474 - Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Section 475 - Disabled Student Programs and Services (DSPS)
- Section 479 - To Be Arranged Hours (TBA)
- Section 490 - Proposition 1D State Bond Funded Projects
- Section 491- Proposition 30 Education Protection Account Funds

Purpose of this Report

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

Christy White Associates

San Diego, California
December 11, 2017

FINDINGS AND QUESTIONED COSTS

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS

Internal control over financial reporting:	<u>Unmodified</u>
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance	<u>No</u>
Identification of major programs:	

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

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

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings

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

There were no financial statement findings or questioned costs noted during the fiscal year ended June 30, 2017.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, *continued*
FOR THE YEAR ENDED JUNE 30, 2017**

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs noted during the fiscal year ended June 30, 2017.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

Section IV – State Award Findings and Questioned Costs

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

There were no state award findings or questioned costs noted during the fiscal year ended June 30, 2017.

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

There were no findings or questioned costs for the prior fiscal year ended June 30, 2016.