

**LASSEN COMMUNITY COLLEGE DISTRICT**

**Susanville, California**

**Audit Report**

**For the Fiscal Year Ended June 30, 2018**



COSSOLIAS | WILSON  
DOMINGUEZ | LEAVITT  
CERTIFIED PUBLIC ACCOUNTANTS

**LASSEN COMMUNITY COLLEGE DISTRICT**  
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**JUNE 30, 2018**

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Lassen Community College District  
Susanville, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Lassen Community College District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Lassen Community College District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Lassen Community College District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 2 to the financial statements, the District implemented the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This Statement replaces the requirements of GASB Statements No. 45, "Accounting and Reporting for Employers Post-Employment Benefits Other than Pensions", as amended, and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 9, the schedule of funding progress, schedule of proportionate share of the net pension liability, and schedule of contributions for pensions on pages 43-44 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

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

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of

the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018 on our consideration of the Lassen Community College District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lassen Community College District’s internal control over financial reporting and compliance.

*CWDL, Certified Public Accountants*

San Diego, California  
December 6, 2018

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**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

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**LASSEN COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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**INTRODUCTION**

The following discussion and analysis provide an overview of the financial position and activities of the Lassen Community College District (the District) for the year ended June 30, 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999.

As required by generally accepted accounting principles, certain comparative information between the current and the prior year is required to be presented in the MD&A. This annual report consists of three basic financial statements that provide information on the District's activities as a whole: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

The focus on the statement of net position is designed to be similar to the bottom line results for the District. This statement combines and consolidates current financial resources (net short-term expendable resources) with capital assets and long-term obligations. The statement of revenues, expenses, and changes in net position focus on the costs of the District's operational activities, which are supported mainly by state revenues and local property taxes. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to students and the public. The statement of cash flows provides an analysis of the sources and uses of cash within the operations of the District.

Financial statements of the District's component unit, Lassen College Foundation, are included in this audit report but are not a focus of the following financial analysis.

**CURRENT STATUS OF THE DISTRICT**

The values that are important to the District Board of Trustees, administration, and staff are Educational Excellence, Student Focus, Honesty and Integrity, Student Success, Dignity and Respect.

During the 2017-18 fiscal year, the District continued the path of academic discipline and sound fiscal management.

The District, under the direction of Superintendent/President Dr. Marlon Hall, continued the same distinct course of fiscal stability, keeping an eye on the ever-changing economic conditions of the State of California and the challenges that small districts in the community college system face, the District has maintained strong fiscal leadership and has a solid footing as we move into the next few years of State Budget recovery.

The District Board of Trustees, administration, and staff are committed to support the fiscal and academic goals of the institution. These goals will continue to evolve over time to help guide the District to fiscal/academic stability, and sustainability. The District continues to work closely with the Community College Chancellor's Office.



**LASSEN COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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**BUDGET INFORMATION**

The District's budget is prepared in accordance with California law and is based on generally accepted accounting principles, utilizing the most current information and projections for forecasting cash receipts and expenditures.

The budget process begins in the spring. The preliminary budget is approved by the Board of Trustees by June 30th and the final budget is approved in September. Revenues are projected based upon the Governor's budget forecast in January and updated in May. If the California State Budget is approved by June 30th or prior to the adoption of the final District budget, the actual revenue projections are included in the final District budget in September.

The largest categories of expenditures are employee salaries and benefits, so staffing projections are a key factor in the budget development process.

The budget is revised on a regular basis and as needed to keep the Board of Trustees informed and to keep abreast of the latest California fiscal status. Variations between the final budget and the actual financial results are a direct result of actions taken by the Board of Trustees, the State financial status, or other circumstances leading to the increase/decrease in revenues and expenditures.

**FINANCIAL HIGHLIGHTS**

The total assets of the District for the year ended June 30, 2018, are less than total liabilities by \$(3,523,121) (net position). Of this amount, \$(9,086,143) is considered unrestricted net position.

At the close of the 2017-18 fiscal year, the Unrestricted General Fund Balance was in excess of the State Chancellor's Office guideline of 5% of expenditures.

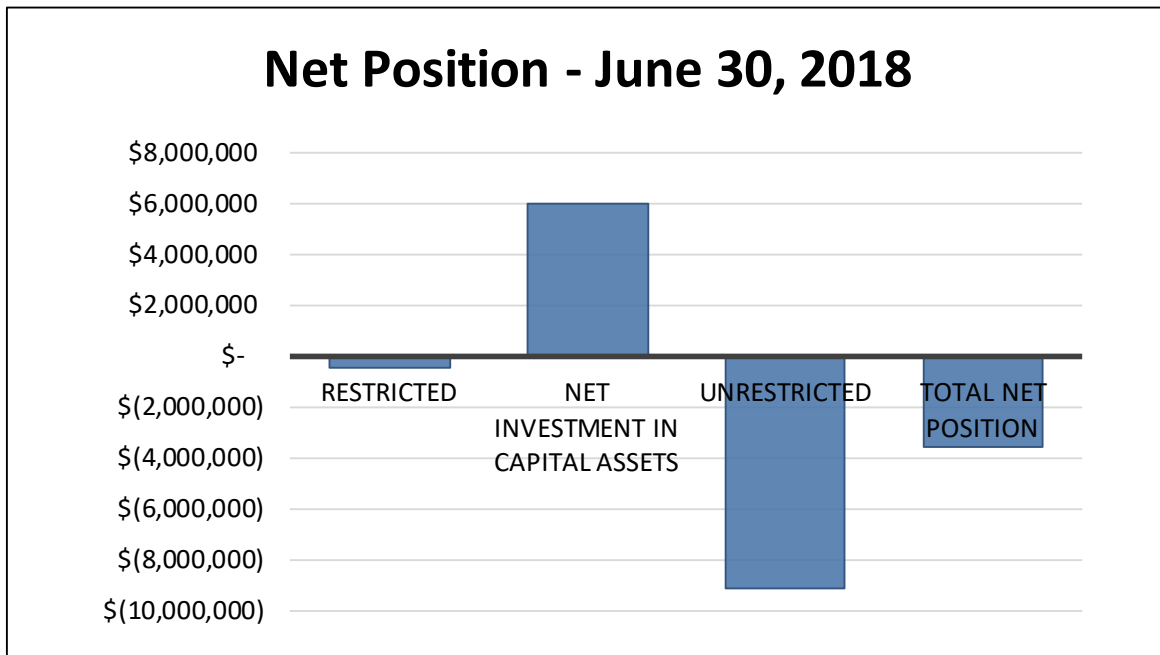
The majority of the District funding is based upon Full-Time Equivalent Students (FTES). The District's annual FTES totaled 1522 reflecting a decrease of approximately 4.5% over the prior fiscal year.

**LASSEN COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**NET POSITION**

Condensed District-wide financial information is as follows:

	<b>2018</b>	<b>2017</b>	<b>Change</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Total assets	\$ 11,917,444	\$ 14,306,860	\$ (2,389,416)
Deferred outflow of resources	4,220,188	3,038,634	1,181,554
<b>Total Assets and Deferred Outflows of Resources</b>	<b>16,137,632</b>	<b>17,345,494</b>	<b>(1,207,862)</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
Current liabilities	3,034,502	2,909,352	125,150
Non-current liabilities	15,294,675	13,821,626	1,473,049
Deferred inflows of resources	1,331,576	836,356	495,220
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>19,660,753</b>	<b>17,567,334</b>	<b>2,093,419</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	5,987,072	6,200,852	(213,780)
Restricted	(424,050)	(315,253)	(108,797)
Unrestricted	(9,086,143)	(6,107,439)	(2,978,704)
<b>Total Net Position</b>	<b>\$ (3,523,121)</b>	<b>\$ (221,840)</b>	<b>\$ (3,301,281)</b>



**LASSEN COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

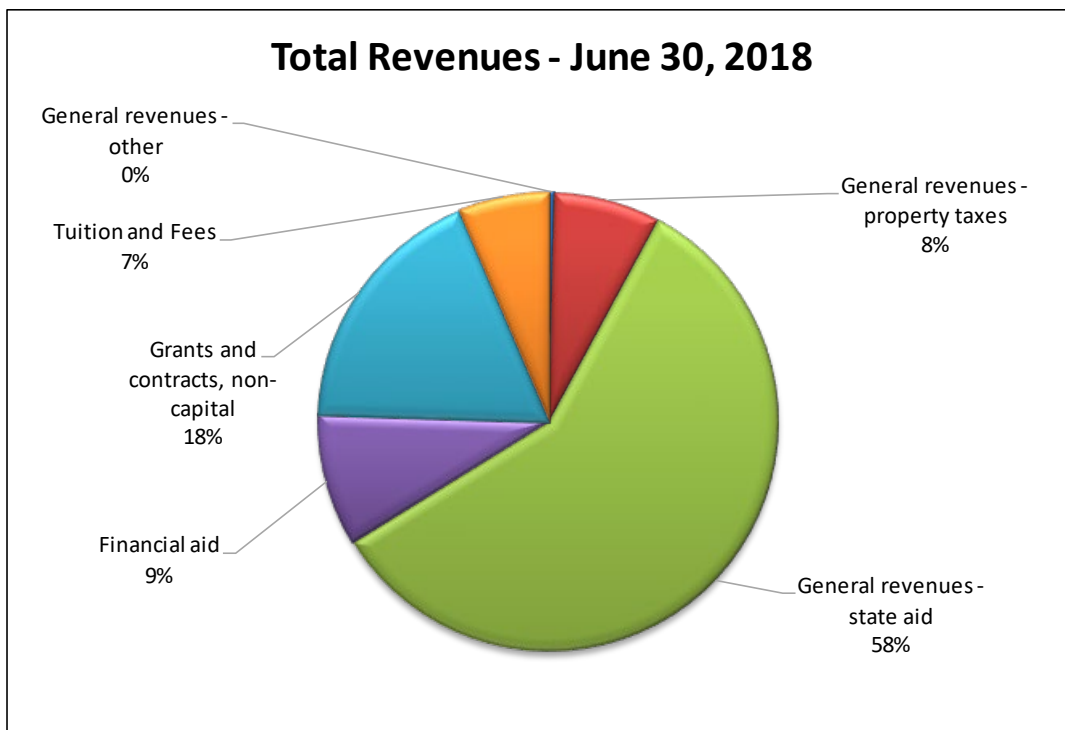
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**OPERATING RESULTS**

	<b>2018</b>	<b>2017</b>	<b>Change</b>
<b>REVENUES</b>			
Tuition and fees (net)	\$ 1,399,232	\$ 1,370,675	\$ 28,557
Grants and contracts, noncapital	3,921,896	5,066,131	(1,144,235)
Financial aid revenues	2,015,870	2,112,432	(96,562)
General revenues - property taxes	1,633,926	1,700,769	(66,843)
General revenues - state aid	12,673,640	12,864,411	(190,771)
General revenues - other	79,177	71,295	7,882
<b>Total Revenues</b>	<b>21,723,741</b>	<b>23,185,713</b>	<b>(1,461,972)</b>
<b>EXPENSES</b>			
Operating expenses	24,828,598	22,516,162	2,312,436
Interest	573,038	503,521	69,517
<b>Total Expenses</b>	<b>25,401,636</b>	<b>23,019,683</b>	<b>2,381,953</b>
<b>Change in Net Position</b>	<b>\$ (3,677,895)</b>	<b>\$ 166,030</b>	<b>\$ (3,843,925)</b>

This schedule has been prepared from the statement of revenues, expenses, and changes in net position presented on page 11.

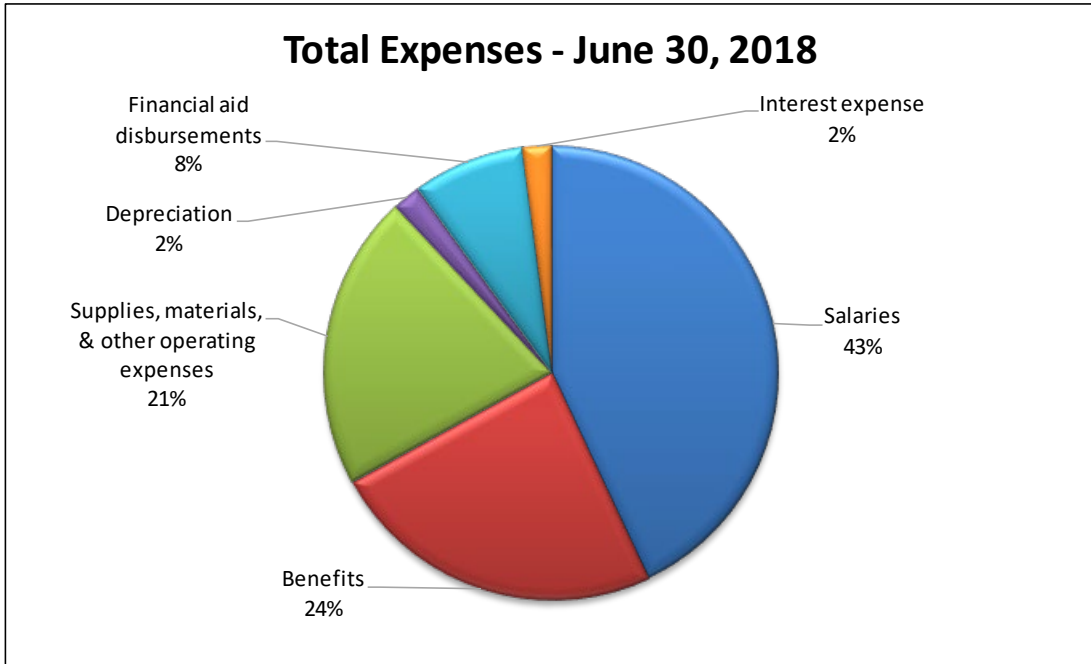
Grant and contract revenues relate to student financial aid, as well as specific federal and state grants received for programs serving the students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.



**LASSEN COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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**OPERATING RESULTS, continued**



The primary operating receipts are student tuition and fees and federal, state, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff.

While state apportionment and property taxes are the primary source of noncapital related revenue, the adoption of recent changes to GASB accounting standards require that this source of revenue is shown as nonoperating revenue as it comes from the general resources of the State and not from the primary users of the District's programs and services (students). The District depends upon this funding as the primary source of funds to continue the current level of operations.

**STATEMENT OF CASH FLOWS**

The statement of cash flows provides information about cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing. This schedule is prepared from the statement of cash flows presented on pages 12 and 13.

**LASSEN COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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**GENERAL FUND SELECTED FINANCIAL INFORMATION**

**General Fund Revenues**

The District's major sources of revenue include state apportionment, local property taxes, tuition, enrollment fees, and lottery revenue. State apportionment is based on the calculation of FTES. Of the revenue sources, state apportionment, property taxes, and enrollment fees are referred to as District general revenues or "base revenues" to which cost of living adjustments are added if approved by the California State Legislature in the annual State budget. Other circumstances that can affect base revenues are declining enrollment or growth restoration, maintenance and operations growth, program improvement, or a state-wide budget deficit factor.

The State Chancellor's Office notifies the District of base revenue changes twice each year or more often if major State budget problems become known. Apportionment adjustments are provided through the First Principal Apportionment Statement (P-1) in February and the Second Principal Apportionment (P-2) in June.

**General Fund Expenditures**

The District's expenditures of \$20,868,297 in the General Fund were to provide classroom instruction, counseling and student support services, physical plant related activities, administration, and general support services for a budgeted total FTES of 1596.

Instruction and instructional support include the costs for instructional activities, administration, and support. Student services includes the costs for admissions and records, counseling and guidance, and other student services. Plant operations includes the cost or maintenance and operations of the physical plant and utilities. All other categories of expenditures including general support and other outgo.

**CONTACTING THE DISTRICT'S ADMINISTRATION**

This financial report is designed to provide the community, staff, students, investors, creditors, and the Chancellor's office with an overview of the District's financial condition and to show the District's accountability for the funding received. If you have questions or require further information, please contact:

Mr. Dave J. Clausen  
Vice President of Administrative Services  
Lassen Community College District  
P.O. Box 3000  
Susanville, CA 96130-3000

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## **FINANCIAL SECTION**

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**LASSEN COMMUNITY COLLEGE DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	<b>Primary Institution</b>	<b>Foundation</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 5,099,960	\$ 118,680
Investments	-	216,382
Accounts receivable, net	927,755	50,000
Inventory	123,828	-
Prepaid expenditures and other assets	94,682	68,499
Total Current Assets	6,246,225	453,561
Noncurrent Assets:		
Capital assets, net	5,671,219	107,099
Total Noncurrent Assets	5,671,219	107,099
<b>TOTAL ASSETS</b>	11,917,444	560,660
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows - pensions	4,220,188	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 16,137,632	\$ 560,660
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable & accrued expenses	\$ 456,847	\$ 9,557
Payable to Lassen College	-	48,620
Lassen College scholarships payable	-	-
Unearned revenue	2,531,731	-
Long-term debt, current portion	45,924	-
Total Current Liabilities	3,034,502	58,177
Noncurrent Liabilities:		
Compensated absences	363,771	-
Net pension liability	14,626,316	-
Net OPEB Liability	237,806	-
Capital lease	(31,209)	-
Dormitory revenue bonds	97,991	-
Total Noncurrent Liabilities	15,294,675	-
<b>TOTAL LIABILITIES</b>	18,329,177	58,177
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows - pensions	1,331,576	-
<b>NET POSITION</b>		
Net investment in capital assets	5,987,072	-
Restricted for:		
Debt service	1,095	-
Educational programs	(425,145)	183,086
Unrestricted	(9,086,143)	319,397
<b>TOTAL NET POSITION</b>	(3,523,121)	502,483
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	\$ 16,137,632	\$ 560,660

**LASSEN COMMUNITY COLLEGE DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Primary Institution</b>	<b>Foundation</b>
<b>OPERATING REVENUES</b>		
Tuition and fees (gross)	\$ 2,657,843	\$ -
Less: Scholarship discounts and allowances	(1,258,611)	-
Net tuition and fees	<u>1,399,232</u>	<u>-</u>
Grants and contracts, noncapital:		
Federal	306,484	-
State	3,323,042	-
Other operating activity	291,735	113,644
<b>TOTAL OPERATING REVENUES</b>	<u>5,321,128</u>	<u>113,644</u>
<b>OPERATING EXPENSES</b>		
Salaries	10,839,668	-
Employee benefits	6,006,358	-
Supplies, materials, and other operating expenses and services	5,438,822	15,930
Scholarships and support	-	-
Student aid	1,993,201	-
Depreciation	550,549	17,851
<b>TOTAL OPERATING EXPENSES</b>	<u>24,828,598</u>	<u>33,781</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(19,507,470)</u>	<u>79,863</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	11,350,545	-
Local property taxes	1,633,926	-
State taxes and other revenues	884,175	(8,511)
Financial aid revenues	2,015,870	-
Investment income - noncapital	79,177	-
Interest expense on capital asset-related debt	(573,038)	-
Other non-operating revenues	438,920	4,125
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>15,829,575</u>	<u>(4,386)</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>(3,677,895)</u>	<u>75,477</u>
<b>NET POSITION -- BEGINNING OF YEAR</b>	<u>(221,840)</u>	<u>427,006</u>
<b>PRIOR PERIOD ADJUSTMENT - See Note 16</b>	376,614	
<b>NET POSITION -- END OF YEAR</b>	<u>\$ (3,523,121)</u>	<u>\$ 502,483</u>



**LASSEN COMMUNITY COLLEGE DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<b>Primary Institution</b>	<b>Foundation</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 1,399,232	\$ -
Grants and contracts	4,006,756	-
Payments to or on behalf of employees	(15,636,773)	-
Payments to vendors for supplies and services	(7,652,875)	(48,947)
Other operating cash flows	291,735	113,644
Net Cash Used by Operating Activities	<u>(17,591,925)</u>	<u>64,697</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State apportionments	11,350,545	-
Property taxes	1,633,926	-
State taxes and other revenues	884,175	-
Financial aid revenues	2,015,870	-
Other nonoperating cash flows	438,920	4,125
Net Cash Provided by Non-capital Financing Activities	<u>16,323,436</u>	<u>4,125</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(347,854)	(15,698)
Principal paid on capital debt	(25,000)	-
Interest paid on capital debt	(573,038)	(8,546)
Net Cash Used by Capital Financing Activities	<u>(945,892)</u>	<u>(24,244)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	-	-
Investment income	79,177	-
Net Cash Provided/(Used) by Investing Activities	<u>79,177</u>	<u>-</u>
<b>NET DECREASE IN CASH &amp; CASH EQUIVALENTS</b>	(2,135,204)	44,578
<b>CASH &amp; CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>7,235,164</u>	<u>74,102</u>
<b>CASH &amp; CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 5,099,960</u>	<u>\$ 118,680</u>

**LASSEN COMMUNITY COLLEGE DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<b>Primary Institution</b>	<b>Foundation</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating income	\$ (19,507,470)	\$ 79,863
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	550,549	17,851
Changes in Assets and Liabilities:		
Receivables, net	4,535	(10,000)
Inventory	13,535	-
Prepaid expenditures and other assets	18,162	-
Deferred outflows of resources	(1,181,554)	-
Accounts payable and accrued liabilities	(257,084)	(23,017)
Deferred revenue	376,595	-
Compensated absences	59,682	-
Net pension liability	1,877,443	-
Net OPEB liability	(41,538)	-
Deferred inflows of resources	495,220	-
Total Adjustments	<u>1,915,545</u>	<u>(15,166)</u>
<b>Net Cash Flows From Operating Activities</b>	<u>\$ (17,591,925)</u>	<u>\$ 64,697</u>

**LASSEN COMMUNITY COLLEGE DISTRICT  
 STATEMENT OF NET POSITION – FIDUCIARY FUNDS  
 JUNE 30, 2018**

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	Trust
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 76,991
<b>Total Assets</b>	76,991
<b>LIABILITIES</b>	
Accounts payable	70,754
Deferred revenue	1,289
Due to other funds	4,231
<b>Total Liabilities</b>	76,274
<b>NET POSITION</b>	
Held in Trust for Student Groups	717
<b>Total Net Position</b>	\$ 717

**LASSEN COMMUNITY COLLEGE DISTRICT  
 STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018**

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	Trust
<b>OPERATING REVENUES:</b>	
Local revenue	\$ 77,136
<b>Total Operating Revenues</b>	<b>77,136</b>
<b>OPERATING EXPENSES:</b>	
Supplies, materials, and other outgo	76,727
<b>Total Operating Expenses</b>	<b>76,727</b>
<b>Net Change in Net Position</b>	409
<b>NET POSITION:</b>	
<b>Beginning of Year</b>	308
<b>End of Year</b>	<b>\$ 717</b>

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**Note 1 - ORGANIZATION AND NATURE OF ACTIVITIES**

***Definition of the Reporting Entity*** – Lassen Community College District (the District) is a political subdivision of the State of California and provides higher education. The District consists of one community college located in Susanville, California.

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

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

The Lassen College Foundation (the Foundation) is a nonprofit public benefit corporation organized under the Nonprofit Public Corporation Law of the State of California. The Foundation was originally incorporated on September 22, 1977, with the express purpose of promoting and assisting the educational programs of the District in accordance with the mission, policies, and priorities of the District as administered by its President. The Foundation had been dormant for several years and new information was submitted to the Secretary of State in December 2002 to reinstate the Foundation.

The Foundation conducts its operations in conformity with general regulations established by the District as required by the *California Education Code*, Section 72672(c). The members of the Foundation's Board of Directors are composed of members from the local community and two members from the Lassen Community College Board. The Foundation currently funds its operations through management of a wholly-owned subsidiary, Lassen Cougar Enterprises, Inc., which operates the Eagle Lake Marina and campgrounds.

The District and the Foundation have financial and operational relationships that meet the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) for inclusion of the Foundation as a component unit of the District. Accordingly, the financial activities of the Foundation as a component unit have been included in the financial statements of the District.

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

*Accountability:* The District is able to impose its will upon the Foundation. The Foundation provides specific financial benefits or imposes specific financial burdens on the District.

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

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

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant interfund transactions have been eliminated.

The District's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The budgetary and financial accounts of the District are recorded and maintained in accordance with the *Budget and Accounting Manual* issued by the Chancellor's Office of the California Community Colleges.

**Cash and Cash Equivalents** – The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments purchased with an original maturity of three months or less.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Lassen County Treasury as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and includes accrued interest. The pool has deposits and investments with a weighted-average maturity of less than one year. As of June 30, 2018, the fair value of the County pool is 98.58% of the carrying value and is deemed to represent an immaterial difference. Derivatives are prohibited within the County investment pool. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee as required by *California Government Code*, Section 27130.

The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains and losses is independent of the calculation of the net increase or decrease in the fair value of cash and cash equivalents. Realized gains and losses on cash and cash equivalents that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of cash and cash equivalents reported in the prior year. The change in fair value of cash and cash equivalents was insignificant during the year ended June 30, 2018, and there was no significant unrealized gain or loss on cash and cash equivalents held at June 30, 2018.

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Accounts Receivable** – Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in California. Accounts receivable also includes 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 utilizes the allowance method with respect to its accounts receivable based upon a year-end review of outstanding accounts receivable balances and historical collection information.

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

Foundation inventory consists of merchandise held for sale at the campgrounds and marina. Inventory is valued at the lower of cost or market.

**Prepaid Expenses** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Capital Asset** – Capital assets are recorded at cost on the date of acquisition or fair value at the date of donation. For equipment, the District's capitalization policy 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 and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repair and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 25 to 50 years for buildings, 20 years for land improvements, and 5 to 15 years for equipment. Land is considered a nondepreciable capital asset; therefore, no depreciation is computed.

**Advances from Grantors** – Advances from grantors include amounts received from grant and contract sponsors that have not yet been earned.

**Advances from Students** – Advances from students include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year that relate to the subsequent accounting period.

**Campground Advances** – Campground advances include amounts received for campgrounds activity prior to the end of the fiscal year that relate to the subsequent accounting period and have not yet been earned.

**Amounts Held in Trust for Others** – The District administers funds for certain college related organizations. The liability represents the amount of funds held for these organizations.

**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.

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Net Position** – The District’s net position is classified as follows:

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

*Restricted Net Position – Nonexpendable:* 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 be expended or added to principal depending on donor stipulations.

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

*Unrestricted Net Position:* Unrestricted net position represents resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose. When an expense is incurred that can be paid using either restricted or unrestricted resources, it is the policy of both the District and the Foundation to first apply the expense towards restricted resources and then towards unrestricted resources.

**Classification of Revenues** – The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*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; and (3) most federal, state, and local grants and contracts, and federal appropriations.

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

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



**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Risk Management** – The District’s property and liability coverage is insured through the Northern California Community College Self-Insurance Authority (NCCC SIA). The District retains the risk up to \$1,000 per occurrence. The NCCC SIA retains the risk up to \$25,000 on property and \$25,000 on liability. Insurance above these levels is ceded to another joint power authority, Statewide Association of Community Colleges (SWACC), and to a level of \$5 million on liability and \$250 million on property. Schools Excess Liability (SELF) provides insurance coverage from \$5 million to \$45 million.

The District is also a member of the NCCC SIA for workers’ compensation coverage. Within NCCC SIA, the workers’ compensation insurance program is insured with first dollar coverage through a joint powers authority, Protected Insurance Program of Schools (PIPS).

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

Certain current-year apportionments from the State are based on various financial and statistical information of the previous year, as well as State budgets and other factors outside the District’s control. In February, subsequent to the year end, the State will perform a recalculation based on actual financial and statistical information for the year just completed. Any corrections determined by the State are recorded in the year computed by the State.

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

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

**General Apportionment and Property Tax** – The District’s general apportionment is received from a combination of local property taxes, state apportionments, and other local sources.

The counties are responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the counties. Secured property taxes attach as an enforceable lien on property as of January 1. Property taxes on the secured roll are due on November 1 and February 1 and become delinquent after December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. Lassen and Modoc counties bill and collect the property taxes for the District.

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

***General Apportionment and Property Tax, continued***

Secured property taxes are recorded as revenue when apportioned in the fiscal year of the levy. The counties apportion secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes based upon historical collection percentages of 55% in December, 40% in April, and a true up of the balance of the adjusted Secured Tax Roll in June.

Property taxes are recorded as local revenue sources by the District. The California Community Colleges Chancellor's Office reduces the District's entitlement by the District's local property tax revenue and student fees. The balance is paid from the State's General Fund and is referred to as the state apportionment. The District's base revenue is the amount of general purpose tax revenue, per full-time equivalent student (FTES) that the District is entitled to by law.

**Change in Accounting Principles**

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB Statement No. 75 replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The Statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 75 for the year ended June 30, 2018.

**New Accounting Pronouncements**

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

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**New Accounting Pronouncements, continued**

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

Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged; however, no such asset retirement obligations are known at this time.

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged. This statement is not expected to have a significant effect on the district financial reporting.

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

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

**New Accounting Pronouncements, continued**

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The District is in the process of determining the effect on the financial reporting.

**Foundation**

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Not-for-Profit Entities*. This amendment will improve the current net asset classification requirements and the information presented in financial statements and notes regarding not-for-profit entities liquidity, financial performance, and cash flows. The Statement is effective for periods beginning after December 15, 2017. The Foundation has not yet determined the impact on the financial statements.

**LASSEN COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2018**

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**NOTE 3 - CASH AND CASH EQUIVALENTS**

The following is a summary of cash and cash equivalents at June 30, 2018:

**Governmental Funds:**

County treasurer's investment pool	\$ 5,063,890
Cash on hand and in banks	36,070
Total cash and investments - Governmental Funds	<u>\$ 5,099,960</u>

**Fiduciary Funds:**

County treasurer's investment pool	\$ 76,991
Total cash and investments - Fiduciary Funds	<u>\$ 76,991</u>

**Foundation:**

Cash on hand and in banks	\$ 118,680
Investments	216,382
Total cash and investments - Foundation	<u>\$ 335,062</u>

- 1) *Deposits* The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.
- 2) *Investments That are Not Securities:* A "security" is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

**Custodial Credit Risk – Deposits**

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District and Foundation do not have a deposit policy for custodial credit risk. As of June 30, 2018, the District and Foundation's bank balances were fully insured.

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 4 - CASH AND CASH EQUIVALENTS, continued**

**District – Investment Credit Risk**

*California Government Code*, Section 53601, limits investments in commercial paper to “prime” quality of the highest ranking, or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. Individual securities must be backed by the federal government or rated AAA, AA, or A by Standard & Poor’s or Aaa, Aa, or A by Moody’s indices. The District’s investment policy is more restrictive than *California Government Code* as it relates to investment vehicles. The District’s investment policy authorizes investment in Local Agency Investment Fund (LAIF), the County treasurer’s investment pool, or certificates of deposit (not to exceed \$100,000 in any financial institution). As of June 30, 2018, the District was wholly invested in the County treasurer’s investment pool in the amount of \$5,063,890 book value. The County treasurer’s investment pool is not rated.

**District – Investment Interest Rate Risk**

*California Government Code*, Section 53601, limits the District’s investments to maturities of five years. The weighted average days to maturity of the District’s investment of cash in the County treasurer’s investment pool is 495 days. The District does not have an investment policy regarding interest rate risk.

**NOTE 5 - INVESTMENTS WITH FISCAL AGENT**

During the year ended June 30, 2011, the Foundation transferred \$65,284 to the California Community Colleges Scholarship Endowment Fund. The funds remain the Foundation’s asset and are invested alongside other amounts in the Fund. Scholarships will be made annually from this investment at the Foundation’s discretion. The earnings on the invested money will be distributed as scholarships. In years when the earnings are not sufficient, the principal can be used for scholarships as well.

**NOTE 6 - ACCOUNTS RECEIVABLE**

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest and other local sources. As of June 30, 2018, accounts receivable amounted to \$927,755. The District believes all receivables accrued at June 30, 2018 are collectable.

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 7 - CAPITAL ASSETS**

The District's capital asset activity for the year ended June 30, 2018, is summarized as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital Assets not being Depreciated				
Land	\$ 36,240	\$ -	\$ -	\$ 36,240
Total Capital Assets not being Depreciated	36,240	-	-	36,240
Capital Assets being Depreciated				
Site improvements	440,932	-	-	440,932
Buildings & improvements	11,851,996	-	-	11,851,996
Co-generation plant	1,155,043	-	-	1,155,043
Equipment	4,501,796	332,569	-	4,834,365
Total Capital Assets being Depreciated	17,949,767	332,569	-	18,282,336
Total Capital Assets	17,986,007	332,569	-	18,318,576
Less Accumulated Depreciation	12,096,808	550,549	-	12,647,357
Net Capital Assets	\$ 5,889,199	\$ (217,980)	\$ -	\$ 5,671,219

The co-generation plant, which was placed in service in 1985, was operated for less than a month and has been idle since that time. The District is currently researching options for usage or disposal of the plant. Management believes the net book value of the asset approximates the current fair value of the asset and related equipment included within the facility. The net book value of the plant at June 30, 2018, was \$352,882.

The Foundation's capital asset activity for the year ended June 30, 2018, is summarized as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital Assets being Depreciated				
Site improvements	\$ 204,128	\$ -	\$ -	\$ 204,128
Vehicles	71,191	7,300	-	78,491
Equipment	121,830	8,399	-	130,229
Total Capital Assets being Depreciate	397,149	15,699	-	412,848
Less Accumulated Depreciation	287,897	17,851	-	305,748
Net Capital Assets	\$ 109,252	\$ (2,152)	\$ -	\$ 107,100

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 8 - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	Balance July 1, 2017	Restatement	Balance July 01, 2017	Additions	Deductions
<b>Long-Term Obligations</b>					
General obligation bonds					
Dormitory revenue bonds	\$ 79,000	\$ -	\$ 79,000	\$ -	\$ 25,000
Total general obligation bonds	79,000	-	79,000	-	25,000
Other liabilities					
Compensated absences	304,089	-	304,089	59,682	-
Net OPEB liability	655,958	(376,614)	279,344	-	41,538
Net pension liability	12,748,873	-	12,748,873	1,877,443	-
Capital leases	73,991	-	73,991	-	15,285
Total other liabilities	13,782,911	(376,614)	13,406,297	1,937,125	56,823
Total long-term obligations	\$ 13,861,911	\$ (376,614)	\$ 13,485,297	\$ 1,937,125	\$ 81,823

**NOTE 9 - GENERAL OBLIGATION BONDS**

The District issued Dormitory Revenue Bonds for the construction of a two-story dormitory in the aggregate principal amount of \$789,000. The bonds mature in 2020 and accrue interest at 3%.

The amount of interest cost incurred during the year ended June 30, 2018, was \$2,370, all of which was charged to expenses. The annual requirement to amortize the general obligation bonds payable is as follows:

Fiscal Year	Principal	Interest	Total
2019	30,000	1,620	31,620
2020	24,000	720	24,720
	\$ 54,000	\$ 2,340	\$ 56,340

**NOTE 10 - CAPITAL LEASE OBLIGATIONS**

The District leased equipment at a cost of \$81,402, under agreements which provide a bargain purchase option upon expiration of the lease period. Interest costs totaled \$1,606 during the year ended June 30, 2018. Amortization expense under capital lease has been included with depreciation expense in the statement of revenue, expense and changes in net position. Future minimum lease payments are as follows:

Fiscal Year	Lease Payment
2018	\$ 18,034
2019	18,034
2020	18,034
2021	18,034
2022	9,018
Less: Amount representing interest	(7,163)
Present value of net minimum lease payments	\$ 73,991



**LASSEN COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2018**

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**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**

In addition to the pension benefits described above, the District provides postemployment health care benefits to employees who retire from the District in accordance with negotiated contracts with the various bargaining units of the District.

**Plan Description**

The Lassen Community College District Postretirement Health Benefits Plan (the Plan) is a single-employer OPEB plan administered by the District. Faculty hired prior to February 1, 1989, and confidential and management employees hired prior to June 30, 1989, may receive benefits from age 55 to age 65. The District pays 100% of the eligible retirees' medical and dental plan premiums as well as the premiums of their dependents. Before receiving benefits, confidential and management employees must have 10 years of service with the District. Faculty must have a total of 15 years in education with at least 10 years of employment with the District. As of June 30, 2018, the District has one active full-time employee who is eligible for postretirement health benefits and 5 retirees who receive postemployment health benefits. One of the management retirees who receive postemployment health benefits met the hiring requirement and years of service requirement; and due to a disability, the age requirement was waived by the District. This was an isolated occurrence, and all other retirees met all criteria established.

**Funding Policy**

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

**Employees Covered by Benefit Term**

The following is a table of plan participants at June 30, 2018:

	<u>Number of Participants</u>
Inactive Employees/Dependents Receiving Benefits	<u>2</u>
Total	<u>2</u>

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued**

**Contributions to Trust**

Eligible employees are not permitted to make contributions to the Trust. The Plan administrator (CalPERS) shall, on behalf of the employer (District), make all contribution to the Trustee. All contributions shall be paid to the Trustee for investment and reinvestment pursuant to the terms of the trust agreement. The District does not have contractually required contributions rates, but contributes in an amount sufficient to fully fund the total OPEB obligation over a period not to exceed 30 years. The District has a net OPEB liability of \$237,806 as of June 30, 2018.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2018
Measurement date	June 30, 2018
Fiscal year	July 1st to June 30th
Actuarial cost methods	Entry age normal cost method
Inflation rate	2.75%
Investment rate of return	3.80%
Discount rate	3.80%
Health care cost trend rate	4.00%
Payroll increase	2.75%
Mortality	For classified employees the 2014 CalPERS active mortality for miscellaneous employees were used.

**Changes in the Net OPEB Liability**

	Increase/(Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Total OPEB Liability
	(a)	(b)	(a) - (b)
Balance July 1, 2017	\$ 279,344	\$ -	\$ 279,344
Changes for the year:			
Interest	9,643	-	9,643
Employer contributions	-	51,181	(51,181)
Benefit payments	(51,181)	(51,181)	-
Net change	(41,538)	-	(41,538)
Balance June 30, 2018	\$ 237,806	\$ -	\$ 237,806

Fiduciary Net Position as a percentage of the Total OPEB Liability as June 30, 2018 was 6.75%.

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued**

**Changes in the Net OPEB Liability**

	Increase/(Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Total OPEB Liability
	(a)	(b)	(a) - (b)
Balance July 1, 2017	\$ 279,344	\$ -	\$ 279,344
Changes for the year:			
Interest	9,643	-	9,643
Employer contributions	-	51,181	(51,181)
Benefit payments	(51,181)	(51,181)	-
Net change	(41,538)	-	(41,538)
Balance June 30, 2018	\$ 237,806	\$ -	\$ 237,806

Fiduciary Net Position as a percentage of the Total OPEB Liability as June 30, 2018 was 6.75%.

Sensitivity of the net pension liability to assumptions

The following presents the net OPEB liability calculated using the discount rate of 3.8 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (2.80 percent) and 1 percent higher (4.80):

	Discount Rate 1% Lower (2.80%)	Current Discount Rate (3.80%)	Discount Rate 1% Higher (4.80%)
Net OPEB liability	\$ 245,110	\$ 237,806	\$ 230,911

The following table presents the net OPEB liability calculated using the health care cost trend rate of 4.0 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percent lower (3.0 percent) and 1 percent higher (5.0 percent):

	Healthcare Cost Trent Rates 1% Lower (3.00%)	Healthcare Cost Trent Rates Current Rate (4.00%)	Healthcare Cost Trent Rates 1% Higher (5.00%)
Net OPEB liability	\$ 230,859	\$ 237,806	\$ 245,024

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 12 - NET PENSION LIABILITY**

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

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 6,675,136	\$ 1,879,214	\$ 1,242,219	\$ 782,411
CalPERS	7,951,180	2,340,974	89,357	1,697,630
Total	\$ 14,626,316	\$ 4,220,188	\$ 1,331,576	\$ 2,480,041

**Pension Plans – California Public Employees' Retirement System (CalPERS)**

**General Information about the Pension Plan**

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

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

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

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 12 - NET PENSION LIABILITY, continued**

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

***General Information about the Pension Plan, continued***

The CalPERS provisions and benefits in effect at June 30, 2018 are summarized as follows:

**PERS**

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	13.89%	13.89%

**Contributions** – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were \$671,020.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$7,951,180. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.0322 percent and 0.0318 percent, resulting in a net increase in the proportionate share of 0.0004 percent.

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 12 - NET PENSION LIABILITY, continued**

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

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

For the year ended June 30, 2018, the District recognized pension expense of \$1,697,630. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ 90,014	\$ -
Differences between expected and actual experience	277,613	-
Changes in assumptions	1,151,469	89,357
Net changes in proportionate share of net pension liability	150,858	-
District contributions subsequent to the measurement date	671,020	-
Total	<u>\$ 2,340,974</u>	<u>\$ 89,357</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 592,393
2020	576,009
2021	542,141
2022	(129,946)
2023	-
Thereafter	-
	<u>\$ 1,580,597</u>

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 12 - NET PENSION LIABILITY, continued**

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

**Actuarial assumptions.** For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 and the June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

<b>PERS (SEP)</b>	
Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997, through June 30, 2011
Actuarial cost method	Entry Age Normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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

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:

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 12 - NET PENSION LIABILITY, continued**

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

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

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

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.15 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.



**LASSEN COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2018**

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**NOTE 12 - NET PENSION LIABILITY, continued**

**Pension Plans – 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 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is in the following table:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Plan's net pension liability	\$ 11,698,734	\$ 7,951,180	\$ 4,842,270

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

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

**General Information about the Pension Plan**

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

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

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

**LASSEN COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2018**

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**NOTE 12 - NET PENSION LIABILITY, continued**

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

***General Information about the Pension Plan, continued***

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployee contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans. The STRP provision and benefits in effect as June 30, 2018 are summarized as follows:

	STRP Defined Benefit Plan	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%*
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

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

**Contributions** - Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were \$617,912.

**On-Behalf Payments** - The District was the recipient of on-behalf payments made by the State of California to CalSTRS for community college education. These payments consist of state general fund contributions of approximately \$2,478,230 to CalSTRS.

**LASSEN COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2018**

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**NOTE 12 - NET PENSION LIABILITY, continued**

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

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including state share:

District's proportionate share of the net pension liability	\$	6,675,136
State's proportionate share of the net pension liability associated with the District		<u>3,948,987</u>
Total	\$	<u>10,624,123</u>

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0079 percent and 0.0081 percent, resulting in a net decrease in the proportionate share of 0.0002 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$782,411. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ -	\$ 283,762
Differences between expected and actual experience	24,686	129,299
Changes in assumptions	1,236,616	-
Net changes in proportionate share of net pension liability	-	829,158
District contributions subsequent to the measurement date	617,912	-
Total	<u>\$ 1,879,214</u>	<u>\$ 1,242,219</u>

**LASSEN COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2018**

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**NOTE 12 - NET PENSION LIABILITY, continued**

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

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (101,377)
2020	(101,377)
2021	10,372
2022	(140,296)
2023	141,544
Thereafter	210,217
	<u>\$ 19,083</u>

**Actuarial Assumptions**

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010, through Jt
Actuarial cost method	Entry Age Normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns.

**LASSEN COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2018**

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**NOTE 12 - NET PENSION LIABILITY, continued**

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

The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

\*20-year geometric average

**Discount rate** - The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate** - The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10% 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 (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	\$ 9,801,219	\$ 6,675,136	\$ 4,138,108

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 12 - NET PENSION LIABILITY, continued**

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

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

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

**Federal and State 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, it is believed that any required reimbursements will not be material.

State apportionment revenue is determined by the State, based on various financial and statistical information. In prior years, the California Community Colleges Chancellor’s Office (the Chancellor’s Office) conducted a review of various “minimum conditions” related to the determination of apportionment amounts for the District. Based on this review, the Chancellor’s Office reduced prior years’ apportionments by approximately \$2,000,000. During the year ended June 30, 2006, the District entered into a Resolution Agreement with the Chancellor’s Office, which was superseded by an agreement dated August 29, 2008. Under the terms of the agreement, the District’s future apportionments will be reduced by amounts ranging from \$100,000 to \$162,047 per year during the period from June 30, 2008, through June 30, 2018, until the prior years’ overpayment has been repaid. Under the terms of the agreement, the District has the opportunity to reduce the contingent liability by producing evidence requested as part of the Chancellor’s Office review, or by incurring certain expenditures. During the year ended June 30, 2018, the District did not incur any expenditure that was approved by the Chancellor’s Office as a reduction to this liability.

**NOTE 14 - JOINT POWERS AGREEMENTS**

The District participates in joint ventures under joint powers agreements with the following joint powers authorities (JPAs): Northern California Community Colleges Self-Insurance Authority (NCCC SIA), Siskiyou County Schools Joint Powers Authority, and Siskiyou County Schools Dental JPA. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes. The JPAs arrange for and provide property, liability, workers’ compensation, dental, vision, and excess liability coverage for their members.

Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The District’s share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA. There has been no significant reduction in any of the insurance coverages from prior year. Settled claims resulting from these programs have not exceeded insurance coverage in each of the past three fiscal years.

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 15 - SUBSEQUENT EVENTS**

The District evaluated subsequent events from June 30, 2018 through December 6, 2018, the date the financial statements were issued. The District concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

**NOTE 16 – PRIOR PERIOD ADJUSTMENT**

The beginning net position increased by \$376,614. This was due to adjustments made to remove the liability under GASB 45 and bring on the net OPEB liabilities following the District's implementation of GASB Statements No. 75 during the year ended June 30, 2018. See Note 2, Summary of Significant Accounting Policies, Change in Accounting Principles for further details on the implementation of GASB Statements No. 75.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**LASSEN COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	2018
Total OPEB liability	
Interest on Total OPEB Liability	\$ 9,643
Benefit payments	(51,181)
Net change in total OPEB liability	(41,538)
Total OPEB liability, beginning of year	279,344
Total OPEB liability, end of year (a)	<u>\$ 237,806</u>
Plan fiduciary net position	
Employer contributions	\$ 51,181
Benefit payments	(51,181)
Change in plan fiduciary net position	-
Fiduciary trust net position, beginning of year	-
Fiduciary trust net position, end of year (b)	<u>\$ -</u>
Net OPEB liability(asset), ending (a) - (b)	<u>\$ 237,806</u>
Covered payroll	\$ 97,081
Plan fiduciary net position as a percentage of the total OPEB liability(asset)	0.00%
Net OPEB liability(asset) as a percentage of covered payroll	244.96%

*This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.*

**LASSEN COMMUNITY COLLEGE DISTRICT  
 SCHEDULE OF CONTRIBUTIONS - OPEB  
 FOR THE YEAR ENDED JUNE 30, 2018**

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	2018
Actuarially determined contribution	\$ 51,181
Contributions in relations to the actuarially determined contribution	51,181
Contribution deficiency (excess)	<u>\$ -</u>

Covered-employee payroll	\$ 97,081
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Contribution as a percentage of covered-employee payroll	52.72%
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This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.

**LASSEN COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2018**

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<b>CaSTRS</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
District's proportion of the net pension liability	0.007%	0.008%	0.008%
District's proportionate share of the net pension liability	\$ 6,675,136	\$ 6,388,588	\$ 5,483,520
State's proportionate share of the net pension liability associated with the District	3,948,987	3,637,445	2,900,169
Total	<u>\$ 10,624,123</u>	<u>\$ 10,026,033</u>	<u>\$ 8,383,689</u>
District's covered - employee payroll	\$ 4,282,134	\$ 5,849,746	\$ 3,862,684
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	155.88%	109.20%	142.00%
Plan fiduciary net position as a percentage of the total pension liability	69.00%	70.00%	76.50%
<b>CaPERS</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
District's proportion of the net pension liability	0.033%	0.032%	0.032%
District's proportionate share of the net pension liability	\$ 7,951,180	\$ 6,360,285	\$ 4,686,136
District's covered - employee payroll	\$ 4,830,958	\$ 4,239,287	\$ 3,873,552
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	164.59%	150.00%	121.00%
Plan fiduciary net position as a percentage of the total pension liability	71.90%	73.90%	83.40%

**LASSEN COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

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<b>CalSTRS</b>	<b>Reporting Fiscal Year</b>		
	2018	2017	2016
Statutorily required contribution	\$ 617,912	\$ 735,898	\$ 414,466
District's contributions in relation to the statutorily required contribution	617,912	735,898	414,466
District's contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,282,134	\$ 5,849,746	\$ 3,862,684
District's contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%

<b>CalPERS</b>	<b>Reporting Fiscal Year</b>		
	2018	2017	2016
Statutorily required contribution	\$ 671,020	\$ 588,837	\$ 459,016
District's contributions in relation to the statutorily required contribution	671,020	588,837	459,016
District's contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,830,958	\$ 4,239,287	\$ 3,873,552
District's contributions as a percentage of covered-employee payroll	13.89%	13.89%	11.85%

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**SUPPLEMENTARY  
INFORMATION**

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**LASSEN COMMUNITY COLLEGE DISTRICT  
 SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT  
 ANNUAL/ACTUAL ATTENDANCE  
 FOR THE YEAR ENDED JUNE 30, 2018**

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The forerunner of Lassen Community College began on May 4, 1925, when the Junior College Department of the Lassen Union High School District was established and began conducting classes on the Lassen High School campus.

A separate facility was created in 1941; and in 1947, because of increasing enrollment, a new building was constructed adjacent to the high school.

The modern era of Lassen Community College began in March 1965 with the establishment of the Lassen Community College District and the separation from the high school district.

The District provides higher education instruction for the first and second years of college education and vocational training at Lassen Community College.

**GOVERNING BOARD**

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<b>NAME</b>	<b>OFFICE</b>	<b>TERM EXPIRES</b>
Shaun Giese	President	November 2020
Tim Purdy	Vice President	November 2020
Kim Dieter	Member	November 2020
Louis Hamilton	Member	November 2018
Thomas Holybee	Member	November 2018
Buck Parks	Member	November 2020
Sophia Wages	Member	November 2018
Violet Giese	Student Trustee	May 2019

**DISTRICT ADMINISTRATION**

Marlon R. Hall, Ed. D.  
*Superintendent/President*

Dr. Gregory South  
*VP of Academic Services*

Ms. Karissa Morehouse  
*Dean of Instructional Services*

Mr. Patrick Walton  
*Dean of Student Services*

Mr. Dave Clausen  
*VP of Administrative Services*

**LASSEN COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT  
ANNUAL/ACTUAL ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2018**

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The full-time equivalent resident students (FTES) eligible for 2017-18 state apportionment reported to the Chancellor's Office as of June 30, 2018, are summarized below:

<b>CATEGORIES</b>	Reported Data	Audit Adjustments	Audited Data
<b>A. Summer Intersession (Summer 2017 only)</b>			
1. Noncredit	2.27	-	2.27
2. Credit	24.42	-	24.42
<b>B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)</b>			
1. Noncredit	0.25	-	0.25
2. Credit	169.42	-	169.42
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	378.36	-	378.36
(b) Daily Census Contact Hours	268.12	-	268.12
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	13.03	-	13.03
(b) Credit	103.73	-	103.73
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	519.93	-	519.93
(b) Daily Census Contact Hours	42.83	-	42.83
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<b>1,522.36</b>	<b>-</b>	<b>1,522.36</b>
<b>Supplemental Information (subset of above information)</b>			
<b>E. In-service Training Courses</b>	-	-	-
<b>F. Basic Skills Courses and Immigrant Education</b>			
1. Credit	18.60	-	18.60
2. Noncredit	144.10	-	144.10
Total Basic Skills FTES	162.70	-	162.70

**LASSEN COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

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<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Pass Through/ Grant Number</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
U.S. DEPARTMENT OF EDUCATION			
Financial Aid Cluster			
Federal Supplemental Education Opportunity Grants	*	84.007	\$ 133,313
Federal Work Study Program	*	84.033	258,772
Federal Pell Grant Program	*	84.063	1,404,793
Federal Direct Student Loans	*	84.268	292,380
Total Financial Aid Cluster			<u>2,089,258</u>
Passed Through California Department of Education			
Career and Technical Education - Basic Grants to States	13-C01-025	84.048	133,313
Career and Technical Education - Technical Preparation	13-112-130	84.051	<u>41,592</u>
<b>Total U.S. Department of Education</b>			<u>2,264,163</u>
U.S. DEPARTMENT OF AGRICULTURE			
Child and Adult Care Food Program			
	*	10.558	18,294
Passed Through State Department of Forestry			
Schools and Roads - Grants to States	*	10.665	54,378
Distance Learning and Telemedicine Grant	*	10.885	<u>184,837</u>
<b>Total U.S. Department of Agriculture</b>			<u>257,509</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Post-Vietnam Era Veterans' Educational Assistance			
	*	64.120	<u>196</u>
<b>Total U.S. Department of Veterans Affairs</b>			<u>196</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed through State Department of Education-Americorps			
	*	94.006	<u>2,075</u>



**LASSEN COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Revenues					Program Expenditures
	Accounts			Total Revenue		
	Cash Received	Receivable (Payable)	Grantor Advances			
Disabled Students Programs and Services	\$ 238,219	\$ -	\$ -	\$ 238,219	\$ 238,219	
Extended Opportunity Programs and Services	389,180	-	-	389,180	389,180	
CalWORKs	122,736	-	-	122,736	122,736	
Student Success (Credit)	957,228	3,000	(210,925)	749,303	749,303	
Student Success (Non Credit)	44,258	-	(6,339)	37,919	37,919	
Student Equity	527,889	-	(235,818)	292,071	292,071	
Cal Grant	135,232	-	-	135,232	135,232	
Cal Grant Full Time Incentive	46,102	-	(1,102)	45,000	45,000	
Competition Grant	-	-	-	-	-	
Guided Pathways	125,000	-	(125,000)	-	-	
BFAP	138,282	-	-	138,282	138,282	
Part-Time Faculty Allocation	83,370	-	-	83,370	83,370	
Kinship Education	38,957	23,204	-	62,161	62,161	
CSEC	1,888	1,515	-	3,403	3,403	
Cooperative Agency Resources Education	57,884	-	-	57,884	57,884	
Basic Skills	282,204	-	(203,783)	78,422	78,422	
Scheduled Maint/Physical Plant	122,154	-	-	122,154	122,154	
Inst Equip & Library	-	-	-	-	-	
State Mandated Costs	95,839	-	-	95,839	95,839	
Staff Diversity	75,447	-	-	75,447	75,447	
General Child Care	156,009	-	-	156,009	156,009	
Reimb Maintenance Allowance	16,762	-	-	16,762	16,762	
Campus Safety Sexual Harrasment	12,023	-	(6,466)	5,558	5,558	
State Preschool	65,932	-	-	65,932	65,932	
State Food Program	847	-	-	847	847	
CD Consortium	2,173	-	-	2,173	2,173	
QRIS CD Grant	635	-	-	635	635	
TANF	20,704	6,538	-	27,242	27,242	
AB 86 Adult Ed	86,799	-	(62,141)	24,658	24,658	
AB104 Adult Ed 2016	147,864	-	-	147,864	147,864	
AB 104 2017	511,096	-	(268,654)	242,442	242,442	
AB 104 2018	483,498	-	(468,278)	15,220	15,220	
Prop 39 Clean Energy	153,335	-	(123,826)	29,509	29,509	
Strong Workforce Grant	262,058	-	(200,794)	61,264	61,264	
Prop 20 Lottery	56,243	45,315	-	101,558	101,558	
Inmate Education Grant	-	-	-	-	-	

**LASSEN COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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There were no adjustments or reclassifications necessary to reconcile the Annual Financial and Budget Report (Form CCFS-311) with the audited statement of net position and statement of revenues, expenses, and changes in net position other than those items related to GASB Statement Nos. 34 and 35.

**LASSEN COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2018**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>Academic Salaries</b>							
Instructional Salaries							
Contract or Regular	1100	2,821,392	-	2,821,392	2,821,392	-	2,821,392
Other	1300	1,471,742	-	1,471,742	1,471,742	-	1,471,742
Total Instructional Salaries		4,293,134	-	4,293,134	4,293,134	-	4,293,134
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	618,520	-	618,520
Other	1400	-	-	-	114,620	-	114,620
Total Non-Instructional Salaries		-	-	-	733,140	-	733,140
Total Academic Salaries		4,293,134	-	4,293,134	5,026,274	-	5,026,274
<b>Classified Salaries</b>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	2,152,960	-	2,152,960
Other	2300	-	-	-	185,948	-	185,948
Total Non-Instructional Salaries		-	-	-	2,338,908	-	2,338,908
Instructional Aides							
Regular Status	2200	284,796	-	284,796	284,796	-	284,796
Other	2400	31,122	-	31,122	31,122	-	31,122
Total Instructional Aides		315,918	-	315,918	315,918	-	315,918
Total Classified Salaries		315,918	-	315,918	2,654,826	-	2,654,826
Employee Benefits	3000	1,818,108	-	1,818,108	3,421,492	-	3,421,492
Supplies and Materials	4000	-	-	-	189,266	-	189,266
Other Operating Expenses	5000	173,204	-	173,204	2,032,732	-	2,032,732
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		6,600,364	-	6,600,364	13,324,590	-	13,324,590
<b>Exclusions</b>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	3,600	-	3,600	3,600	-	3,600
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	45,915	-	45,915
Object to Exclude							
Rents and Leases	5060	-	-	-	17,000	-	17,000
Lottery Expenditures		-	-	-	-	-	-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	263,390	-	263,390
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-inst. Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	263,390	-	263,390
Other Operating Expenses and Services	5000	-	-	-	-	-	-
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ 3,600	\$ -	\$ 3,600	\$ 329,905	\$ -	\$ 329,905
Total for ECS 84362, 50% Law		\$ 6,596,764	\$ -	\$ 6,596,764	\$ 12,994,685	\$ -	\$ 12,994,685
Percent of CEE (Instructional Salary Cost/Total CEE)		50.77%	0.00%	50.77%	100.00%	0.00%	100.00%
50% of Current Expense of Education					\$ 6,497,343	\$ -	\$ 6,497,343

**LASSEN COMMUNITY COLLEGE DISTRICT  
 DETAILS OF THE EDUCATION PROTECTION ACCOUNT  
 FOR THE YEAR ENDED JUNE 30, 2018**

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EPA Revenue	1,921,513
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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	1,921,513	-	-	1,921,513
Total		1,921,513	-	-	1,921,513

**LASSEN COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018**

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<b>Total audited fund balances as reported on the Annual  Financial and Budget Report (CCFS-311)</b>		\$	3,257,647
Assets recorded within the statements of net position not included in the District fund financial statements:			
Nondepreciable capital assets	\$	36,240	
Depreciable capital assets		18,282,336	
Accumulated depreciation		<u>(12,647,357)</u>	5,671,219
Liabilities recorded within the statements of net position not recorded in the District fund financial statements:			
Net pension liability			(14,626,316)
Compensated absences			(363,771)
OPEB liability			(237,806)
Capital lease			(58,706)
Long-term debt			(54,000)
Deferred outflows of resources			4,220,188
Deferred inflows of resources			<u>(1,331,576)</u>
<b>Total net position reported within the Statement  of Net Position</b>		\$	<u>(3,523,121)</u>

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTE TO THE SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

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**NOTE 1 - PURPOSE OF SCHEDULES**

**Organizational Structure**

This schedule provides information about the District's governing board members and administration members.

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

A full-time equivalent student is a measurement of the number of hours students attend classes. 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.

**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 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.

**Schedule of Revenues and Expenditures of State Awards**

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

**Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Form CCFS-311 to the audited financial statements other than those adjustments related to the conversion required by GASB Statement Nos. 34 and 35.

**Reconciliation of ECS 84362 (50 Percent Law) Calculation**

This schedule provides the information necessary to reconcile the 50% law calculation as reported on the Form CCFS-311 to the audited financial statements.

**LASSEN COMMUNITY COLLEGE DISTRICT  
NOTE TO THE SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

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**NOTE 1 - Details of the Education Protection Account, continued**

This schedule provides the information necessary to reconcile the Education Protection Account Expenditures reported on the Form CCFS-311 to the audited financial statements.

**Reconciliation of Governmental Funds to the Statement of Net Position**

This schedule provides the information necessary to reconcile the governmental fund balances to the audited financial statements.

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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

The Board of Trustees  
Lassen Community College District  
Susanville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lassen Community College District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Lassen Community College District's basic financial statements, and have issued our report thereon dated December 6, 2018.

**Emphasis of Matter – Change in Accounting Principles**

As discussed in Note 1 to the financial statements, in 2018, the Districted adopted new accounting guidance, GASB Statement No. 75, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. Control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

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

## Purpose of this Report

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

*CWDL, Certified Public Accountants*

San Diego, California  
December 6, 2018



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

The Board of Trustees  
Lassen Community College District  
Susanville, California

**Report on Compliance for Each Major Federal Program**

We have audited Lassen Community College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lassen Community College District's major federal programs for the year ended June 30, 2018. Lassen 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lassen 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lassen 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 Lassen Community College District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Lassen Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

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

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

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

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

*CWDL, Certified Public Accountants*

San Diego, California  
December 6, 2018



**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

The Board of Trustees  
Lassen Community College District  
Susanville, California

**Report on State Compliance**

We have audited Lassen Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2017-18*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2018.

**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 Lassen 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) 2017-18*, 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 Lassen 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 Lassen Community College District's compliance with those requirements.

**Basis for Qualified Opinion**

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding the State General Apportionment Funding System 2018-001. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to the program.

**Qualified Opinion**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

### ***Unmodified Opinion for Each of the Other Programs***

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2018, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Audit Findings and Questioned Costs.

### ***Other Matters***

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

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2017-18*. Accordingly, this report is not suitable for any other purpose.

*CWDL, Certified Public Accountants*

San Diego, California  
December 6, 2018

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**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

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**LASSEN COMMUNITY COLLEGE DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2018**

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**Section I – Summary of Auditors’ Results**

**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
<u>84.007, 84.033 84.063, 84.268</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>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>

**LASSEN COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**Section II – Financial Statement Findings**

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

***There were no financial statement findings or questioned costs identified during 2017-18.***

**LASSEN COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**Section III – Federal Award Findings and Questioned Costs**

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

***There were no federal award findings or questioned costs identified during 2017-18.***

**LASSEN COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**Section IV – State Award Findings and Questioned Costs**

This section identifies the audit findings required to be reported under State Compliance Guidance.

**2018-001: 424 – STATE GENERAL APPORTIONMENT FUNDING SYSTEM**

**Criteria or Specific Requirement**

In accordance with California Code of Regulations (CCR), Title 5, Sections 58020-58024, 58030 and 59025, and the Student Attendance Accounting Manual, the District is required to adopt procedures relating to course enrollment, attendance and disenrollment information. Procedures shall include rules for retention of support documentation which shall enable an independent determination regarding the accuracy of tabulations submitted by the District for apportionment funding.

**Condition**

During our testwork in accordance with State compliance requirements related to State General Apportionment Funding, we obtained a statistically relevant sample of 15 actual hours of attendance courses. We noted that 2 of the courses had apportionment documentation on file that did not agree to apportionment reported per the CCFS-320 (one overstated hours and one understated hours). The sample was selected from the Period 2 2017-18 Apportionment Attendance Report (CCFS-320).

**Questioned Cost**

We tallied the variances of the two courses in error, noting a total FTES understatement of (0.07) FTES. When this understatement is extrapolated over the entire population of actual hours of attendance courses based upon the size of our statistically relevant sample, the extrapolated error amounts to an understatement of (0.5) FTES.

**Context**

2 of 136 courses.

**Effect**

Non-compliance with California Code of Regulations.

**Recommendation**

We recommend that the District perform internal reviews to ensure that all courses are properly supported by detailed documentation that agrees with the data reported on the CCFS-320.

**District Response**

The error in reporting occurred due to data input errors. The District will expand its self-audit to ensure these types of errors are uncovered prior to report submission. Additionally the District will move forward with a way to automate this reporting to remove the potential of human error. This error was discovered at Period 2 2017-2018 Apportionment Attendance Report (CCFS-320). The error was corrected in our Annual 2017-2018 Apportionment Attendance Report (CCFS 320), therefore no funding impact will occur due to this error/finding.

**LASSEN COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**Section V – Prior Year Audit Findings Summary**

This section identifies the audit findings reported in prior years audit.

**2017-001: 424 – STATE GENERAL APPORTIONMENT FUNDING SYSTEM**

**Criteria or Specific Requirement**

In accordance with California Code of Regulations (CCR), Title 5, Sections 58020-58024, 58030 and 59025, and the Student Attendance Accounting Manual, the District is required to adopt procedures relating to course enrollment, attendance and disenrollment information. Procedures shall include rules for retention of support documentation which shall enable an independent determination regarding the accuracy of tabulations submitted by the District for apportionment funding.

**Condition**

During our testwork in accordance with State compliance requirements related to State General Apportionment Funding, we obtained a statistically relevant sample of 15 actual hours of attendance courses. We noted that 4 of the courses had apportionment documentation on file that did not agree to apportionment reported per the CCFS-320. The sample was selected from the Period 2 2016-17 Apportionment Attendance Report (CCFS-320).

**Questioned Cost**

We tallied the variances of the four courses in error, noting a total FTES understatement of (0.87) FTES. When this understatement is extrapolated over the entire population of actual hours of attendance courses based upon the size of our statistically relevant sample, the extrapolated error amounts to an understatement of (7.02) FTES or \$(35,811.52) at Lassen CCD's Advance Principal Apportionment base funding rate of \$5,102.81 per FTES.

**Context**

15 of 121 courses.

**Effect**

Non-compliance with California Code of Regulations.

**Recommendation**

We recommend that the District perform internal reviews to ensure that all courses are properly supported by detailed documentation that agrees with the data reported on the CCFS-320.

**District Response**

The error in reporting occurred due to data input errors. The District will perform an additional self-audit to ensure these type of errors are uncovered prior to report submission. Additionally the District will be looking at a way to automate this reporting to remove the potential of human error. This error was discovered at Period 2 2016-2017 Apportionment Attendance Report (CCFS-320). The error will be corrected in our Recalculation 2016-2017 Apportionment Attendance Report (CCFS 320), therefore no funding will be lost due to this error/finding.