

**IMPERIAL COMMUNITY COLLEGE  
DISTRICT**

**AUDIT REPORT  
JUNE 30, 2019**



**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
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**JUNE 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Imperial Community College District  
Imperial, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Imperial Community College District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Imperial 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2018-2019 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

The supplementary information as 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 10, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*CWDL, Certified Public Accountants*

San Diego, CA  
December 10, 2019

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

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The Imperial Community College District (District) consists of one main campus. The District serves approximately 7,500 students per semester. Full-Time Equivalent Student (FTES) for 2018-2019 was 7,450.

The following discussion and analysis provides an overview of the financial position and activities of the Imperial Community College District for the fiscal year ended June 30, 2019. Please read it in conjunction with the financial statements and notes thereto which follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

**FINANCIAL HIGHLIGHTS**

Net position decreased by \$4.6 million or 5% from the prior year. This was due to prior period adjustments of \$4.8 million offset by an increase in net position of \$0.1 million.

**STATEMENT OF NET POSITION**

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

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

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

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**STATEMENT OF NET POSITION, continued**

	<b>2019</b>	<b>2018</b>	<b>Change</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Current assets	\$ 60,750,332	\$ 28,385,276	\$ 32,365,056
Noncurrent assets	86,005,090	86,745,242	(740,152)
Deferred outflows of resources	19,472,975	18,292,519	1,180,456
<b>Total Assets and Deferred Outflows of Resources</b>	<b>166,228,397</b>	<b>133,423,037</b>	<b>32,805,360</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
Current liabilities	11,314,805	14,105,369	(2,790,564)
Noncurrent liabilities	245,784,263	207,567,358	38,216,905
Deferred inflows of resources	3,853,966	4,327,427	(473,461)
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>260,953,034</b>	<b>226,000,154</b>	<b>34,952,880</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	(11,995,972)	27,429,221	(39,425,193)
Restricted	41,462,977	5,643,149	35,819,828
Unrestricted	(126,487,951)	(125,649,487)	(838,464)
<b>Total Net Position</b>	<b>\$ (97,020,946)</b>	<b>\$ (92,577,117)</b>	<b>\$ (4,443,829)</b>

The District's Net Position decreased \$4.6 million or 5% from the previous year. Revenue received but not yet earned has decreased by \$1.9 million. Finally, much of the District's unrestricted Net Position have been designated or reserved for capital outlay and debt service.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

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

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION, continued**

	<b>2019</b>	<b>2018</b>	<b>Change</b>
<b>OPERATING REVENUES</b>			
Tuition and fees	\$ 3,191,694	\$ 1,855,370	\$ 1,336,324
Grants and contracts	39,245,834	40,092,375	(846,541)
Auxiliary enterprises	-	95,019	(95,019)
<b>Total Operating Revenues</b>	<b>42,437,528</b>	<b>42,042,764</b>	<b>394,764</b>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	57,872,332	51,754,533	6,117,799
Supplies, materials, and other operating expenses	14,193,545	10,493,131	3,700,414
Student financial aid	29,984,023	27,174,063	2,809,960
Depreciation	2,782,321	1,154,220	1,628,101
<b>Total Operating Expenses</b>	<b>104,832,221</b>	<b>90,575,947</b>	<b>14,256,274</b>
<b>Operating Loss</b>	<b>(62,394,693)</b>	<b>(48,533,183)</b>	<b>(13,861,510)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
State apportionments	38,162,738	27,867,816	10,294,922
Property taxes	13,673,047	12,033,344	1,639,703
State taxes and other revenues	14,768,330	10,682,489	4,085,841
Investment income	261,180	150,373	110,807
Interest expense, net	(4,348,729)	(4,360,525)	11,796
Other financing sources (uses)	12,164	(3,010,327)	3,022,491
<b>Total Non-Operating Revenues (Expenses)</b>	<b>62,528,730</b>	<b>43,363,170</b>	<b>19,165,560</b>
<b>Change in Net Position</b>	<b>134,037</b>	<b>(5,170,013)</b>	<b>5,304,050</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>(92,577,117)</b>	<b>(46,126,999)</b>	<b>(46,450,118)</b>
<b>PRIOR PERIOD ADJUSTMENT (SEE NOTE 11)</b>	<b>(4,577,866)</b>	<b>(41,280,105)</b>	<b>36,702,239</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ (97,020,946)</b>	<b>\$ (92,577,117)</b>	<b>\$ (4,443,829)</b>

The Statement of Revenues, Expenses, and Changes in Net Position reflect a challenging year with a decrease in the Net Position at the end of the year. The cost of operations increased by \$14.3 million, primarily relating to non-cash pension activity related to pensions and OPEB. Although the statement shows an operating loss of \$62.4 million, that balance does not reflect the \$62.5 million in non-operating revenues. Because of an adjustment to the prior period, the District reports a decrease in its Net Position of \$4.6 million dollars for this fiscal year.

**STATEMENT OF CASH FLOWS**

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

**STATEMENT OF CASH FLOWS, continued**

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

	<b>2019</b>	<b>2018</b>	<b>Change</b>
Cash Provided by (Used in)			
Operating activities	\$ (59,911,231)	\$ (47,378,963)	\$ (12,532,268)
Noncapital financing activities	66,616,279	54,424,554	12,191,725
Capital financing activities	26,006,987	(3,010,327)	29,017,314
Investing activities	261,180	150,373	110,807
Net Increase in Cash	<u>\$ 32,973,215</u>	<u>\$ 4,185,637</u>	<u>\$ 28,787,578</u>

**CAPITAL ASSETS**

Note 5 to the financial statements provide additional information on Capital Assets. A summary of capital assets, net of accumulated depreciation, for 2018 and 2019.

	<b>2019</b>	<b>2018</b>	<b>Change</b>
Capital Assets not being depreciated	\$ 991,993	\$ 991,993	\$ -
Capital Assets being depreciated	117,087,114	115,107,579	1,979,535
Accumulated depreciation	(32,074,017)	(29,354,330)	(2,719,687)
<b>Total Capital Assets</b>	<u>\$ 86,005,090</u>	<u>\$ 86,745,242</u>	<u>\$ (740,152)</u>

**LONG-TERM DEBT**

Note 6 to the financial statements provide additional information on long-term debt. A summary of long-term debt, for 2018 and 2019.

	<b>2019</b>	<b>2018</b>	<b>Change</b>
General obligation bonds	\$ 129,984,634	\$ 95,255,840	\$ 34,728,794
Compensated absences	942,641	860,469	82,172
Net OPEB liability (asset)	63,817,088	63,451,633	365,455
Net pension liability	53,693,964	50,202,721	3,491,243
<b>Total Long-term Liabilities</b>	<u>\$ 248,438,327</u>	<u>\$ 209,770,663</u>	<u>\$ 38,667,664</u>

**DISTRICT'S FIDUCIARY RESPONSIBILITY**

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

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Business Office, Imperial Community College District, 380 E. Aten Road, Imperial, California 92251.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

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**ASSETS**

Current Assets:

Cash and investments	\$ 58,186,544
Accounts receivable, net	2,563,788
Total Current Assets	<u>60,750,332</u>

Noncurrent Assets:

Capital assets, net	<u>86,005,090</u>
Total Noncurrent Assets	<u>86,005,090</u>

**TOTAL ASSETS**

146,755,422

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows related to OPEB	2,946,734
Deferred outflows related to pensions	<u>16,526,241</u>

**TOAL DEFERRED OUTFLOWS OF RESOURCES**

19,472,975

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

\$ 166,228,397

**LIABILITIES**

Current Liabilities:

Accounts payable	\$ 2,101,464
Unearned revenue	6,559,277
Long-term debt, current portion	<u>2,654,064</u>
Total Current Liabilities	<u>11,314,805</u>

Noncurrent Liabilities:

Compensated absences	942,641
Net OPEB liability	63,817,088
Net pension liability	53,693,964
Long-term debt, non-current portion	<u>127,330,570</u>
Total Noncurrent Liabilities	<u>245,784,263</u>

**TOTAL LIABILITIES**

257,099,068

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to OPEB	2,296,309
Deferred inflows related to pensions	<u>3,853,966</u>

**TOTAL DEFERRED INFLOWS OF RESOURCES**

6,150,275

**NET POSITION**

Net investment in capital assets (11,995,972)

Restricted for:

Debt service	5,271,965
Capital projects	35,602,607
Other special purposes	588,405

Unrestricted (126,487,951)

**TOTAL NET POSITION**

(97,020,946)

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**

\$ 166,228,397

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

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<b>OPERATING REVENUES</b>	
Tuition and fees	\$ 10,860,078
Less: Scholarship discounts and allowances	(7,668,384)
Net tuition and fees	<u>3,191,694</u>
Grants and Contracts, noncapital:	
Federal	27,236,481
State	9,054,450
Local	2,954,903
<b>TOTAL OPERATING REVENUES</b>	<u>42,437,528</u>
<b>OPERATING EXPENSES</b>	
Salaries	36,805,029
Employee benefits	21,067,303
Supplies, materials, and other operating expenses and services	14,193,545
Student aid	29,984,023
Depreciation	2,782,321
<b>TOTAL OPERATING EXPENSES</b>	<u>104,832,221</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(62,394,693)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
State apportionments, noncapital	38,162,738
Local property taxes	13,673,047
State taxes and other revenues	14,768,330
Investment income	261,180
Interest expense on capital asset-related debt	(4,348,729)
Other financing sources (uses)	12,164
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>62,528,730</u>
<b>CHANGE IN NET POSITION</b>	<u>134,037</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	(92,577,117)
<b>PRIOR YEAR ADJUSTMENT (SEE NOTE 11)</b>	(4,577,866)
<b>NET POSITION, END OF YEAR</b>	<u>\$ (97,020,946)</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees	\$ 3,191,694
Grants and contracts	37,910,805
Payments to students and vendors for financial aid, supplies and services	(45,475,703)
Payments to or on behalf of employees	<u>(55,538,027)</u>
Net Cash Used by Operating Activities	<u>(59,911,231)</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

State apportionments	38,162,738
Property taxes - non debt related	13,673,047
State taxes and other apportionments	14,768,330
Other sources (uses)	<u>12,164</u>
Net Cash Provided by Non-capital Financing Activities	<u>66,616,279</u>

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

Purchase of capital assets	(2,042,169)
Principal paid on capital debt	32,049,958
Interest paid on capital debt	<u>(4,000,802)</u>
Net Cash Provided (Used) by Capital Financing Activities	<u>26,006,987</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received from investments	<u>261,180</u>
Net Cash Provided by Investing Activities	<u>261,180</u>

**NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS**

	<u>32,973,215</u>
<b>CASH &amp; CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>25,213,329</u>
<b>CASH &amp; CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 58,186,544</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED BY OPERATING ACTIVITIES**

Operating loss	\$ (62,394,693)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	2,782,321
Adjustment for restatement	(2,246,957)
Changes in Assets and Liabilities:	
Accounts receivables, net	608,159
Deferred outflows of resources	(1,180,456)
Accounts payable and accrued liabilities	(1,298,135)
Unearned revenue	(1,943,188)
Compensated absences	82,172
Net pension liability	3,491,243
Net OPEB liability	365,455
Deferred inflows of resources	1,822,848
Total Adjustments	<u>2,483,462</u>
<b>Net Cash Flows From Operating Activities</b>	<u>\$ (59,911,231)</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

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	Associated Students Trust	Student Representation Fee Trust	Scholarship and Loan Trust	Campus Organizations	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 177,637	\$ 2,210	\$ 9,920	\$ 155,856	\$ 345,623
<b>Total Assets</b>	<b>177,637</b>	<b>2,210</b>	<b>9,920</b>	<b>155,856</b>	<b>345,623</b>
<b>LIABILITIES</b>					
Accounts payable	-	880	-	-	880
<b>Total Liabilities</b>	<b>-</b>	<b>880</b>	<b>-</b>	<b>-</b>	<b>880</b>
<b>NET POSITION</b>					
Restricted	177,637	1,330	9,920	155,856	344,743
<b>Total Net Position</b>	<b>\$ 177,637</b>	<b>\$ 1,330</b>	<b>\$ 9,920</b>	<b>\$ 155,856</b>	<b>\$ 344,743</b>

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

	Associated Students Trust	Student Representation Fee Trust	Scholarship and Loan Trust	Campus Organizations	Total
<b>OPERATING REVENUES:</b>					
Local revenue	\$ 114,479	\$ 21,857	\$ -	\$ 112,254	\$ 248,590
<b>Total Operating Revenues</b>	114,479	21,857	-	112,254	248,590
<b>OPERATING EXPENSES:</b>					
Salaries	1,775	-	-	-	1,775
Other operating expenses	103,475	21,203	-	98,660	223,338
<b>Total Operating Expenses</b>	105,250	21,203	-	98,660	225,113
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	-	-	26,523,696	-	26,523,696
Operating transfers out	-	-	(26,523,647)	-	(26,523,647)
<b>Total Other Financing Sources (Uses)</b>	-	-	49	-	49
<b>Net Change in Net Position</b>	9,229	654	49	13,594	23,526
<b>Beginning of Year</b>	168,408	676	9,871	142,262	321,217
<b>End of Year</b>	\$ 177,637	\$ 1,330	\$ 9,920	\$ 155,856	\$ 344,743

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

**Reporting Entity**

The Imperial Community College District (District) is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the State, it is not a component unit of the state. The District is classified as a state instrumentality under Internal Revenue Code Section 115, and is therefore exempt from federal taxes. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

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

**Basis of Presentation**

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

**Basis of Accounting**

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

The District records revenues when earned and expenses when a liability is incurred regardless of the timing of the related cash flow. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office's *Budget and Accounting Manual*.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

**Cash and Cash Equivalents**

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

**Restricted Cash and Cash Equivalents**

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

**Accounts Receivable**

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

**Capital Assets**

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

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

**Net Position**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

*Restricted* - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

**State Apportionments**

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

**On-Behalf Payments**

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

**Deferred Revenues**

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

**Operating Revenues**

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

**Classification of Revenues**

The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 61, including state appropriations, local property taxes and investment income. Revenues are classified per the following criteria:

- Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local contracts and federal appropriations, and (4) interest on institutional student loans.
- Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, most federal, state and local grants, and other revenue sources described in GASB Statement No. 61, such as state appropriations and investment income.

**Investments**

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

**Restricted Cash and Cash Equivalents**

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

**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.

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

**Scholarship Discounts and Allowances**

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

**Federal Financial Assistance Programs**

The District participates in Federally funded Pell Grants, SEOG Grants, and Federal Work-Study, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Uniform Guidance. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

**New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the District.

**GASB Statement No. 83** – Certain Asset Retirement Obligations. The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations. The Statement is effective for periods beginning after June 15, 2018.

**GASB 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. The Statement is effective for periods beginning after December 15, 2018.

**GASB 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. The Statement is effective for periods beginning after December 15, 2019.

**GASB Statement No. 88** – Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarified which liabilities government should include when disclosing information related to debt. The Statement is effective for periods beginning after June 15, 2018.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019**

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

**New Accounting Pronouncements, continued**

**GASB Statement No. 90** – Accounting for Interest Cost Incurred before the End of a Construction Period. The objective of this Statement is to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

**NOTE 3 – CASH AND INVESTMENTS**

**Summary of Cash and Investments**

Cash and investments as of June 30, 2019, consisted of the following:

Primary government	\$ 58,186,544
Fiduciary funds	345,623
Total Deposits and Investments	\$ 58,532,167
Cash in county treasury	\$ 58,001,648
Cash on hand and in banks	530,519
Total Deposits and Investments	\$ 58,532,167

**Policies and Practices**

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

**Interest Rate Risk**

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019**

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**NOTE 3 – CASH AND INVESTMENTS, continued**

**Specific Identification**

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

<u>Investment or Deposit Type</u>	<u>Fair Market Value</u>	<u>Maturity</u>
Imperial County Investment Pool	\$ 58,386,862	698 Days

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated.

**Custodial Credit Risk – Deposits**

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

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following at June 30, 2019:

	Primary Government
Federal categorical aid	\$ 1,333,462
State categorical aid	550,685
Local Sources	679,641
Total	<u>\$ 2,563,788</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019, is summarized below:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital Assets not being Depreciated				
Land	\$ 160,000	\$ -	\$ -	\$ 160,000
Construction in progress	831,993	-	-	831,993
Total Capital Assets Not Being Depreciated	991,993	-	-	991,993
Capital Assets Being Depreciated				
Land improvements	16,063,036	-	-	16,063,036
Buildings and improvements	89,916,667	2,050,047	-	91,966,714
Furniture and equipment	9,127,876	-	70,512	9,057,364
Total Capital Assets Being Depreciated	115,107,579	2,050,047	70,512	117,087,114
Total Capital Assets	116,099,572	2,050,047	70,512	118,079,107
Less Accumulated Depreciation				
Land improvements	6,211,339	-	-	6,211,339
Buildings and improvements	19,402,614	-	-	19,402,614
Furniture and equipment	3,740,377	2,782,321	62,634	6,460,064
Total Accumulated Depreciation	29,354,330	2,782,321	62,634	32,074,017
Net Capital Assets	\$ 86,745,242	\$ (732,274)	\$ 7,878	\$ 86,005,090

**NOTE 6 – LONG-TERM OBLIGATIONS**

Long-term liabilities for the year ended June 30, 2019, are summarized as follows:

	Balance July 1, 2018	Adjustment for Restatement	Additions	Deductions	Balance June 30, 2019	Due Within One Year
General Obligation Bonds	\$ 74,834,828	\$ (280,000)	\$ 32,208,655	\$ 2,670,086	\$ 104,093,397	\$ 2,389,292
Accreted interest	17,969,910	1,876,315	2,678,836	-	22,525,061	-
Bond premium	2,451,102	734,594	445,252	264,772	3,366,176	264,772
Compensated absences	860,469	-	186,158	103,986	942,641	-
Net OPEB liability	63,451,633	-	365,455	-	63,817,088	-
Net pension liability	50,202,721	-	3,491,243	-	53,693,964	-
Totals	\$ 209,770,663	\$ 2,330,909	\$ 39,375,599	\$ 3,038,844	\$ 248,438,327	\$ 2,654,064

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 6 – LONG-TERM OBLIGATIONS, continued**

**Description on Debt**

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

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

**Bonded Debt**

In November 2006, the District issued \$13,285,473 of the 2004 Election, Series 2006B General Obligation Bonds. The issue consisted of \$4,475,000 of Current Interest Bonds with interest rates ranging from 4.00% to 4.25% and maturing August 1, 2037, and \$8,810,473 of Capital Appreciation Bonds with interest rates ranging from 4.55% to 11.00% maturing August 1, 2031. The current interest bonds have been paid in full.

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

In May 2009 the District issued \$3,031,779 of the 2004 Election, Series 2009D General Obligation Bonds. Proceeds from the sale of the bonds will be used to provide funding for college facilities projects as stated in the ballot measure for the District. Interest is payable semi-annually on February 1 and August 1 of each year at an interest rates ranging from 3.6%-6.9% commencing August 1, 2009. Principal is payable on August 1 of each year commencing August 1, 2009 and the maturity date August 1, 2033.

In May 2009, the District issued \$5,866,919 of the 2004 Election, Series 2009E General Obligation Bonds. Proceeds from the sale of the bonds will be used to provide funding for college facilities projects as stated in the ballot measure for the District. Interest is payable semi-annually on February 1 and August 1 of each year at an interest rate of 6.9% commencing August 1, 2009. Principal is payable on August 1 of each year commencing August 1, 2033 and through the maturity date August 1, 2037.

In January 2011, the District issued \$9,405,512 of the 2010 Election, Series 2010A General Obligations Bonds. Proceeds from the sale of the bonds will be used to provide funding for college facilities projects as stated in the ballot measure for the District. Interest is payable semi-annually on February 1 and August 1 of each year at an interest rate of 6.8% commencing August 1, 2015. Principal is payable on August 1 of each year commencing August 1, 2015 and through the maturity date August 1, 2040.

In December 2012, the District issued \$19,420,000 of the 2010 Election, Series 2012 Refunding Bonds. The bonds are issued to refund all or a portion of the Districts 2004 Election, Series 2005 bonds. Interest rates range from 2.00% to 5.00% maturing August 1, 2026.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 6 – LONG-TERM OBLIGATIONS, continued**

**Bonded Debt, continued**

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

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

In November 2017, the district issued \$16,200,000 of the 2010 Election, Series 2017 Refunding Bonds to refund the General Obligation Bonds of Election 2004, Series 2007C and the 2010 General Obligation Bonds, Series 2010A. Interest rates range from 3.00% to 5.00% maturing August 1, 2037.

In August 2018, the District issued \$32,208,655 of the 2010 Election, Series 2018C General Obligation Bonds. The issue consisted of \$9,775,000 of Current Interest Bonds with interest rates ranging from 3.00% to 5.00% and maturing August 1, 2037, and \$22,433,655 of Capital Appreciation Bonds with interest rates ranging from 2.19% to 4.31% maturing August 1, 2043.

The outstanding general obligation bonded debt as of June 30, 2019 is as follows:

	Original Issue	Balance July 1, 2018	Adjustments	Additions	Redeemed	Balance June 30, 2019	Due Within One Year
Series 2005	\$ 24,500,000	\$ 17,960,000	\$ (17,960,000)	\$ -	\$ -	\$ -	\$ -
Series 2006B	13,285,473	8,810,473	-	-	682,984	8,127,489	672,610
Series 2007C	11,915,816	5,790,816	-	-	-	5,790,816	-
Series 2009D	3,031,779	2,820,858	-	-	102,671	2,718,187	118,948
Series 2009E	5,866,919	5,866,919	-	-	-	5,866,919	-
Series 2010A	9,405,512	1,217,400	-	-	20,836	1,196,564	29,670
Series 2012 Refunding	19,420,000	-	17,680,000	-	605,000	17,075,000	730,000
Series 2014A	16,642,939	16,168,362	-	-	248,595	15,919,767	128,064
Series 2017 Refunding	16,200,000	16,200,000	-	-	1,010,000	15,190,000	710,000
Series 2018C	32,208,655	-	-	32,208,655	-	32,208,655	-
	<u>\$ 152,477,093</u>	<u>\$ 74,834,828</u>	<u>\$ (280,000)</u>	<u>\$ 32,208,655</u>	<u>\$ 2,670,086</u>	<u>\$ 104,093,397</u>	<u>\$ 2,389,292</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 6 – LONG-TERM OBLIGATIONS, continued**

**Bonded Debt, continued**

The annual requirements to amortize bonds payable outstanding at June 30, 2019 are summarized below:

<b>2006B General Obligation Bonds</b>				
Fiscal Year	Principal	Interest	Accreted	
			Interest	Total
2020	\$ 672,610	\$ -	\$ 457,390	\$ 1,130,000
2021	661,103	-	503,897	1,165,000
2022	543,182	-	461,818	1,005,000
2023	539,984	-	510,017	1,050,001
2024	537,746	-	562,254	1,100,000
2025-2029	2,702,434	-	3,727,565	6,429,999
2030-2032	2,470,430	-	5,436,749	8,275,000
Total	\$ 8,127,489	\$ -	\$ 11,659,690	\$ 20,155,000

<b>2007C General Obligation Bonds</b>				
Fiscal Year	Principal	Interest	Accreted	
			Interest	Total
2020	\$ -	\$ -	\$ -	\$ -
2021	-	-	-	-
2022	-	-	-	-
2023	279,834	-	610,166	890,000
2024	427,944	-	452,056	880,000
2025-2029	1,770,824	-	2,459,177	4,230,001
2030-2033	3,312,214	-	7,122,785	10,434,999
Total	\$ 5,790,816	\$ -	\$ 10,644,184	\$ 16,435,000

<b>2009D General Obligation Bonds</b>				
Fiscal Year	Principal	Interest	Accreted	
			Interest	Total
2020	\$ 118,948	\$ -	\$ 81,052	\$ 200,000
2021	137,360	-	112,640	250,000
2022	154,958	-	150,042	305,000
2023	168,660	-	191,340	360,000
2024	184,165	-	240,835	425,000
2025-2029	1,101,230	-	2,213,771	3,315,001
2030-2034	852,866	-	3,512,133	4,364,999
Total	\$ 2,718,187	\$ -	\$ 6,501,813	\$ 9,220,000

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 6 – LONG-TERM OBLIGATIONS, continued**

**Bonded Debt, continued**

The annual requirements to amortize bonds payable outstanding at June 30, 2019, continued

**2009E General Obligation Bonds**

Fiscal Year	Principal	Interest	Accreted	
			Interest	Total
2030-2034	\$ 1,391,999	\$ -	\$ 5,883,002	\$ 7,275,001
2035-2038	4,474,920	-	25,910,080	30,385,000
Total	\$ 5,866,919	\$ -	\$ 31,793,082	\$ 37,660,001

**2010A General Obligation Bonds**

Fiscal Year	Principal	Interest	Accreted	
			Interest	Total
2020	\$ 29,670	\$ 50,330	\$ -	\$ 80,000
2021	34,658	138,942	-	173,600
2022	-	137,200	-	137,200
2023	7,844	159,357	-	167,201
2024	12,798	179,402	-	192,200
2025-2029	92,884	1,143,115	-	1,235,999
2030-2034	-	686,000	-	686,000
2035-2039	-	686,000	-	686,000
2040-2041	1,018,710	205,800	941,290	2,165,800
Total	\$ 1,196,564	\$ 3,386,146	\$ 941,290	\$ 5,524,000

**2012 Refunding Bonds**

Fiscal Year	Principal	Interest	Total
2020	\$ 730,000	\$ 721,500	\$ 1,451,500
2021	865,000	689,600	1,554,600
2022	1,010,000	647,050	1,657,050
2023	1,170,000	592,550	1,762,550
2024	1,350,000	529,550	1,879,550
2025-2029	9,410,000	1,744,600	11,154,600
2030	2,540,000	63,500	2,603,500
Total	\$ 17,075,000	\$ 4,988,350	\$ 22,063,350

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 6 – LONG-TERM OBLIGATIONS, continued**

**Bonded Debt, continued**

The annual requirements to amortize bonds payable outstanding at June 30, 2019, continued

<b>2014A General Obligation Bonds</b>				
Fiscal Year	Principal	Interest	Accreted Interest	Total
2030-2034	\$ 1,320,637	\$ 3,508,565	\$ 449,363	\$ 5,278,565
2035-2039	2,983,235	3,059,995	751,764	6,794,994
2040-2042	10,375,000	1,239,975	-	11,614,975
Total	\$ 15,919,767	\$ 15,183,360	\$ 1,995,233	\$ 33,098,360

<b>2017 Refunding Bonds</b>			
June 30,	Principal	Interest	Total
2020	\$ 710,000	\$ 584,181	\$ 1,294,181
2021	745,000	555,081	1,300,081
2022	965,000	520,881	1,485,881
2023	100,000	500,081	600,081
2024	100,000	497,081	597,081
2025-2029	560,000	2,432,306	2,992,306
2030-2034	690,000	2,300,163	2,990,163
2035-2039	4,680,000	2,099,391	6,779,391
2040-2041	6,640,000	229,600	6,869,600
Total	\$ 15,190,000	\$ 9,718,766	\$ 24,908,766

<b>2018C General Obligation Bonds</b>				
Fiscal Year	Principal	Interest	Accreted Interest	Total
2030-2034	\$ 6,970,208	\$ 1,296,000	\$ 4,299,792	\$ 12,566,000
2035-2039	9,083,333	758,700	2,646,666	12,488,699
2040-2044	4,790,373	-	8,789,627	13,580,000
Total	\$ 32,208,655	\$ 4,852,375	\$ 17,586,345	\$ 54,647,375

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS**

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

**Benefits Provided**

The eligibility requirements and benefits provided by the Plan are described below. (Some grandfathered certificated retirees receive additional benefits under a recent retirement incentive.)

	<u>Faculty</u>	<u>Classified</u>
Benefit types provided	Medical, Dental and Vision	Medical, Dental and Vision
Duration of Benefits	Lifetime	Lifetime*
Required Service	<u>Hired before July 1, 2012:</u> Age 55 to 60: 14 years Age 61 to 64: Age+Service at lease 74 Age 65+: 9 years <u>Hired after June 30, 2012:</u> 18 years	12 years**
Minimum Age	55***	50**
Dependent Coverage	Yes	Yes
District Contribution %	100%	100%
District Cap	None	None

\*No vision benefits beyond age 65.

\*\*Age plus years of service must be at least 70.

\*\*\*For those hired before July 1, 1983, 8 years of service.

**Plan Membership**

Membership of the Plan consisted of the following:

	<u>Number of Participants</u>
Inactive Employees Receiving Benefits	203
Participating Active Employees	289
	<u>492</u>

**Total OPEB Liability**

The Imperial Community College District's total OPEB liability of \$63,451,633 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS, continued**

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Valuation date	June 30, 2017
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%
Salary Increase	2.75%
Healthcare cost trend rate	4.00%
Mortality Rates	For certificated employees the 2009 CalSTRS mortality tables were used. For classified employees the 2014 CalPERS active mortality for miscellaneous employees were used.

**Changes in Total OPEB Liability**

	Increase/(Decrease)		
	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance July 1, 2017	\$ 63,451,633	\$ -	\$ 63,451,633
Changes for the year:			
Service cost	2,771,759	-	2,771,759
Interest	2,425,349	-	2,425,349
Employer contributions	-	2,025,052	(2,025,052)
Changes of assumptions	(2,806,601)	-	(2,806,601)
Expected benefit payments	(2,025,052)	(2,025,052)	-
Net change	365,455	-	365,455
Balance June 30, 2018	\$ 63,817,088	\$ -	\$ 63,817,088

The Imperial Community College District has invoked Paragraph 244 of GASB Statement 75 for the transition due to cost constraints. Consequently, in order to determine the beginning total OPEB liability, a "roll-back" technique has been used.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS, continued**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of Imperial Community College District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.80 percent) or one percentage point higher (4.80 percent) than the current discount rate:

	Discount Rate 1% Lower (2.80%)	Current Discount Rate (3.80%)	Discount Rate 1% Higher (4.80%)
Net OPEB liability	\$ 73,283,856	\$ 63,817,088	\$ 55,942,840

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the total OPEB liability of the Imperial Community College District, as well as what the District’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.00 percent) or one percentage point higher (5.00 percent) than the current healthcare cost trend rate:

	Trend Rate 1% Lower (3.00%)	Current Trend Rate (4.00%)	Trend Rate 1% Higher (5.00%)
Net OPEB liability	\$ 55,433,260	\$ 63,817,088	\$ 73,746,780

**OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2019, the Imperial Community College District recognized OPEB expense of \$4,608,929. At June 30, 2019, the Imperial Community College District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ 2,296,309
District contributions subsequent to the measurement date	2,946,734	-
	<u>\$ 2,946,734</u>	<u>\$ 2,296,309</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS, continued**

**OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB, 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
2020	\$ (510,292)
2021	(510,292)
2022	(510,292)
2023	(510,292)
2024	(255,141)
	<u>\$ (2,296,309)</u>

**Fiduciary Net Position**

In November 2018, the District established an OPEB Trust with Public Agency Retirement Services (PARS). The trust is an irrevocable trust that is used to off-set the District’s total OPEB liability. Contributions to the Trust will be recognized in subsequent years as a reduction to the total OPEB liability. As of June 30, 2019, the District’s ending balance in the OPEB Trust was \$674,466.

**NOTE 8 – PENSION PLANS**

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

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 34,128,132	\$ 10,819,720	\$ 3,736,482	\$ 4,361,624
CalPERS	19,565,832	5,706,521	117,484	3,864,807
Total	<u>\$ 53,693,964</u>	<u>\$ 16,526,241</u>	<u>\$ 3,853,966</u>	<u>\$ 8,226,431</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 8 – PENSION PLANS, continued**

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

**Plan Description**

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

**Benefits Provided**

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans. The STRP provision and benefits in effect as June 30, 2019 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	16.28%	16.28%
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.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019**

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**NOTE 8 – PENSION PLANS, continued**

**Contributions**

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. The contribution rates for each plan for the year ended June 30, 2019 are presented above and the total District contributions were \$3,528,880.

**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 \$3,115,233 to CalSTRS, including Senate Bill 90, passed during 2018-19.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 34,128,132
State's proportionate share of the net pension liability associated with the District	19,540,892
Total	<u>\$ 53,669,024</u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to 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. At June 30, 2018, the District’s proportion was .037% percent, which was an increase of .001% percent from its proportion measured as of June 30, 2017.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 8 – PENSION PLANS, continued**

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

For the year ended June 30, 2019, the District recognized pension expense of \$4,361,624. In addition, the District recognized pension expense and revenue of \$1,047,636 for support provided by the State. At June 30, 2019, 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	\$ -	\$ 1,313,852
Differences between expected and actual experience	105,830	495,253
Changes in assumptions	5,301,580	-
Net changes in proportionate share of net pension liability	1,883,430	1,927,377
District contributions subsequent to the measurement date	3,528,880	-
Total	<u>\$ 10,819,720</u>	<u>\$ 3,736,482</u>

The \$3,528,880 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,392,798
2021	900,410
2022	(667,485)
2023	857,125
2024	1,076,496
Thereafter	(4,986)
	<u>\$ 3,554,358</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 8 – PENSION PLANS, continued**

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010, through June 30, 2015
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%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, 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%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
	100%	

\*20-year geometric average

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 8 – PENSION PLANS, continued**

**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 increases per AB 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 Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10 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 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	\$ 49,993,720	\$ 34,128,132	\$ 20,974,021

**Pension plan fiduciary net position**

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

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

**Plan Description**

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

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These report(s) 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>.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 8 – PENSION PLANS, continued**

**Benefits provided**

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

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows.

	School Employer Pool (CalPERS)	
	On or before	On or after
	December 31, 2012	January 1, 2013
Hire date		
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%	6.500%
Required employer contribution rate	18.062%	18.062%

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.5% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2019 was 18.062% of annual payroll. Contributions to the plan from the District were \$1,860,656 for the year ended June 30, 2019.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 8 – PENSION PLANS, continued**

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalPERS for community college education. These payments consist of state general fund contributions of approximately \$663,355 to CalPERS related to Senate Bill 90, passed during 2018-19

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

At June 30, 2019, the District reported a liability of \$19,565,832 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to 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. At June 30, 2018, the District's proportion was .073% percent, which was a decrease of .001 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$3,864,807. At June 30, 2019, 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	\$ 160,484	\$ -
Differences between expected and actual experience	1,282,664	-
Changes in assumptions	1,953,562	-
Net changes in proportionate share of net pension liability	449,155	117,484
District contributions subsequent to the measurement date	1,860,656	-
Total	\$ 5,706,521	\$ 117,484

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 8 – PENSION PLANS, continued**

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

The \$1,860,656 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 2,145,233
2021	1,633,354
2022	77,202
2023	(127,408)
	\$ 3,728,381

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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	2.50%
Wage growth	Varies by entry age and service

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

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 8 – PENSION PLANS, continued**

**Actuarial assumptions, continued**

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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.

<b>Asset Class*</b>	<b>Assumed Asset Allocation</b>	<b>Real Return Years 1 - 10**</b>	<b>Real Return Years 11+***</b>
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
	<u>100%</u>		

\*In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

\*\*An expected inflation of 2.0% used for this period

\*\*\*An expected inflation of 2.92% used for this period

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019**

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**NOTE 8 – PENSION PLANS, continued**

**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.

**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 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Plan's net pension liability	\$ 28,486,915	\$ 19,565,832	\$ 12,164,515

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

**Pension Rate Stabilization Trust**

In November 2018, the District established a pension rate stabilization trust with Public Agency Retirement Services (PARS). As of June 30, 2019, the district had contributed \$2,531,058 to the trust.

**NOTE 9 – JOINT POWERS AGREEMENTS**

**Description**

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

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 9 – JOINT POWERS AGREEMENTS, continued**

**Participation in Public Entity Risk Pools and JPAs**

The Imperial Community College District participates in two joint powers agreements (JPA's) with the Imperial County School Districts Property and Liability Authority (ICSDPL) and the Self-Insured Program for Imperial County (SIPIIC). The relationship between the Imperial Community College District and the JPA's is such that the JPA's are not component units of the Imperial Community College District for financial reporting purposes. The JPA's arrange for and provide workers compensation, health, property and liability insurance for its members. A board consisting of a representative from each member district governs each JPA. The board controls the operations of each JPA including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in each JPA. Financial information for the JPA's at June 30, 2019 was not included in this report. The information can be obtained by contacting the JPA directly.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

**State of Federal Allowances, Awards and Grants**

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, we believe that any required reimbursements will not be material.

**Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District as of June 30, 2019.

**NOTE 11 – RESTATEMENT**

The beginning net position decreased by \$4,764,403. This is due to adjustments to long-term debt, deferred revenues and prior year closing balances.

**NOTE 12 – SUBSEQUENT EVENT**

The District has evaluated subsequent events for the period from June 30, 2019 through the date of this report. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**IMPERIAL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
JUNE 30, 2019**

	2019	2018
Total OPEB liability		
Service cost	\$ 2,771,759	\$ 2,697,576
Interest	2,425,349	2,131,765
Changes of assumptions	(2,806,601)	-
Benefit payments	(2,025,052)	(1,947,165)
Net change in total OPEB liability	365,455	2,882,176
Total OPEB liability, beginning of year	63,451,633	60,569,457
Total OPEB liability, end of year (a)	\$ 63,817,088	\$ 63,451,633
Plan fiduciary net position		
Employer contributions	\$ 2,025,052	\$ 1,947,165
Expected benefit payments	(2,025,052)	(1,947,165)
Change in plan fiduciary net position	-	-
Fiduciary trust net position, beginning of year	-	-
Fiduciary trust net position, end of year (b)	\$ -	\$ -
Net OPEB liability (asset), ending (a) - (b)	\$ 63,817,088	\$ 63,451,633
Covered payroll	\$ 25,923,788	\$ 27,503,091
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	0%	0%
Net OPEB liability (asset) as a percentage of covered payroll	246%	231%

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF CONTRIBUTIONS – OPEB  
JUNE 30, 2019**

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	2019	2018
Actuarially determined contribution	\$ 2,105,000	\$ 2,025,052
Contributions in relations to the actuarially determined contribution	2,025,052	1,947,165
Contribution deficiency (excess)	<u>\$ 79,948</u>	<u>\$ 77,887</u>
Covered-employee payroll	\$ 25,923,788	\$ 27,503,091
Contribution as a percentage of covered-employee payroll	8%	7%

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
JUNE 30, 2019**

<b>CalSTRS</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.037%	0.036%	0.040%	0.037%	0.035%
District's proportionate share of the net pension liability	\$ 34,128,132	\$ 32,985,542	\$ 32,081,078	\$ 25,216,202	\$ 20,452,944
State's proportionate share of the net pension liability associated with the District	19,540,892	19,514,127	18,265,874	13,336,556	11,147,297
Total	\$ 53,669,024	\$ 52,499,669	\$ 50,346,952	\$ 38,552,758	\$ 31,600,241
District's covered - employee payroll	\$ 18,814,015	\$ 19,946,670	\$ 19,698,761	\$ 18,330,412	\$ 15,433,830
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	181%	165%	163%	138%	133%
Plan fiduciary net position as a percentage of the total pension liability	71%	70%	70%	74%	77%
<b>CalPERS</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.073%	0.072%	0.070%	0.071%	0.072%
District's proportionate share of the net pension liability	\$ 19,565,832	\$ 17,217,179	\$ 13,847,485	\$ 10,447,985	\$ 8,151,048
District's covered - employee payroll	\$ 8,689,076	\$ 10,089,137	\$ 9,289,375	\$ 8,489,613	\$ 7,998,284
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	225%	171%	149%	123%	102%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF CONTRIBUTIONS – PENSIONS  
JUNE 30, 2019**

<b>CalSTRS</b>	<b>Reporting Fiscal Year</b>				
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 3,528,880	\$ 2,366,836	\$ 2,428,790	\$ 2,086,304	\$ 1,587,523
District's contributions in relation to the statutorily required contribution	3,528,880	2,366,836	2,428,790	2,086,304	1,587,523
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 21,676,167	\$ 18,814,015	\$ 19,946,670	\$ 19,698,761	\$ 18,330,412
District's contributions as a percentage of covered-employee payroll	16.28%	12.58%	12.18%	10.59%	8.66%
<b>CalPERS</b>	<b>Reporting Fiscal Year</b>				
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,860,656	\$ 1,204,306	\$ 1,287,525	\$ 1,005,716	\$ 1,398,158
District's contributions in relation to the statutorily required contribution	1,860,656	1,204,306	1,287,525	1,005,716	1,398,158
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 10,301,495	\$ 8,689,076	\$ 9,289,375	\$ 8,489,613	\$ 7,998,284
District's contributions as a percentage of covered-employee payroll	18.06%	13.86%	13.86%	11.85%	17.48%

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

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**NOTE 1 – PURPOSE OF THE SCHEDULE**

**Schedule of Changes in Net OPEB Liability and Related Ratios**

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

**Schedule of Contributions – OPEB**

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

**Schedule of Proportionate Share of Net Pension Liability**

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

**Schedule of Contributions – Pensions**

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

**Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

**Changes in Assumptions**

The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

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## **SUPPLEMENTARY INFORMATION**

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**IMPERIAL COMMUNITY COLLEGE DISTRICT  
DISTRICT ORGANIZATION  
JUNE 30, 2019**

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**GOVERNING BOARD**

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<b>MEMBER</b>	<b>OFFICE</b>	<b>TERM EXPIRES</b>
Mr. Jerry Hart	President	November 2020
Mr. Mark Edney	Clerk of the Board	November 2022
Mr. Romualdo J. Medino	Member	November 2020
Mr. Steven M. Taylor	Member	November 2022
Mr. Rudy Cardenas, Jr.	Member	November 2020
Mr. Louis Wong	Member	November 2020
Ms. Karla Sigmond	Member	November 2022

**DISTRICT ADMINISTRATION**

Dr. Martha O. Garcia, Ed.D.  
*Superintendent/President*

Ms. Josanna Garcia  
*Vice President of Administrative Services*

Dr. Christina Tafoya  
*Vice President of Academic Services*

Dr. Lennor Johnson  
*Vice President of Student Services & Equity*

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

Grantor/Pass Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	YTD Expenditures
<b>U.S. Department of Education</b>			
<i>Direct Programs</i>			
Student Financial Aid Cluster			
Pell Grant	84.063	*	\$ 23,602,942
Pell Administration	84.063	*	27,305
Supplemental Educational Opportunity Grant	84.007	*	253,013
Federal College Work Study	84.033	*	467,963
Total Student Financial Aid Cluster			<u>24,351,223</u>
TRIO Cluster			
Upward Bound	84.047	*	1,024,096
Student Support Services	84.042	*	438,646
Talent Search	84.044	*	413,048
Total TRIO Cluster			<u>1,875,790</u>
Title V – TALCAS Grant	84.031S	*	256,251
<i>Passed Through California Department of Education</i>			
CTE-Title IC	84.048	14-C01-022	299,352
CTE Transitions (Old Tech Prep)	84.048	*	41,377
Total U.S. Department of Education			<u>26,823,993</u>
<b>U.S. Department of Veterans Affairs</b>			
<i>Direct Program</i>			
Veterans Education	64.116	*	1,020
<b>U.S. Department of Health and Human Services</b>			
<i>Direct Program</i>			
Temporary Assistance For Needy Families	93.558	*	64,087
<i>Passed Through Health and Human Services -</i>			
Foster and Kinship Care Education	93.658	*	32,234
Total U.S. Department of Health and Human Services			<u>96,321</u>
<b>U.S. Department of Labor</b>			
<i>Direct Program</i>			
Department of Rehabilitation	84.126A	28370	61,616
<b>U.S. Department of Agriculture</b>			
<i>Direct Program</i>			
Nutrition Program	10.555	*	80,728
<i>Passed Through California Department of Education</i>			
Summer Food Service Program	10.559	13158	142,141
Total U.S. Department of Agriculture			<u>222,869</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 27,205,819</u>

\*Pass-Through number is either not available or not applicable

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

Program Name	Program Revenues				Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Revenue	Total	
Cal Grants	\$ 2,600,462	\$ 9,196	\$ -	\$ 2,609,658	\$ 2,609,658
Emergency Aid for Dreamer Students	-	-	-	-	10,057
Student Success Completion Grant	3,524,192	-	-	3,524,192	3,524,192
CCPT Ca Career Pathways Grant	1,547,404	-	-	1,547,404	1,547,404
CTE Data Unlocked Grant	47,121	-	-	47,121	47,121
CCTR - General Childcare	380,860	117,989	2,537	496,312	496,312
CSPP - CA Sate Preschool	307,117	46,396	2,139	351,374	351,374
Professional Development - Classified	27,134	-	27,134	-	-
Foster Care	39,792	-	-	39,792	39,792
Independent Living Program	4,437	-	-	-	4,437
Mental Health Support	60,960	-	60,960	-	-
Board Financial Aid Program (BFAP)	358,266	-	-	358,266	358,266
CalWORKs	359,475	-	-	359,475	359,475
Financial Aid Technology	168,248	-	149,328	18,920	18,920
Student Hunger Program	74,073	-	58,084	15,989	15,989
DSPS	459,823	-	-	459,823	459,823
Strong Workforce Program	1,830,952	-	1,073,609	757,343	757,343
Nursing Grant	146,511	-	-	146,511	146,511
EOPS	1,370,754	-	-	1,370,754	1,370,754
CARE	295,353	-	-	295,353	295,353
BOG Fee Waiver Administration	141,246	-	-	141,246	141,246
Veteran Resource Center	36,802	-	16,373	20,430	20,430
Guided Pathways	575,260	-	357,568	217,692	217,692
Physical Plant & Instructional Support	297,846	-	104,422	193,424	193,424
Lottery Instructional Materials	371,571	96,778	406,352	61,997	61,997
Campus Safety & Sexual Assault	17,952	-	1,530	16,422	16,422
Innovation Award	2,500,000	-	2,023,684	476,316	476,316
Correctional Academy & Medical Assistant Program	1,000,000	-	985,430	14,570	14,570
Equal Employment Opportunity	50,000	-	3,157	46,843	46,843
Certified Nursing Assistant Program	45,000	-	40,214	4,786	4,786
Student Success & Support Program	1,951,138	-	400,070	1,551,067	1,551,067
Student Equity	1,615,422	-	560,576	1,054,846	1,054,846
Basic Skills	441,050	-	-	441,050	441,050
Prop 39 Energy Funds	328,548	-	178,217	150,331	150,331
Prop 39 - Grossmont-Cuyamaca MOU	8,987	-	-	8,987	8,987
Total Expenditures of State Awards	\$ 22,983,756	\$ 270,359	\$ 6,451,384	\$ 16,798,294	\$ 16,812,788

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT  
FOR THE YEAR ENDED JUNE 30, 2019**

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
<b>A. Summer Intersession (Summer 2018 only)</b>			
1. Noncredit	1.17	-	1.17
2. Credit	39.42	-	39.42
<b>B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)</b>			
1. Noncredit	-	-	-
2. Credit	530.26	-	530.26
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,321.06	-	5,321.06
(b) Daily Census Contact Hours	593.43	-	593.43
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	53.12	-	53.12
(b) Credit	280.04	-	280.04
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	510.48	-	510.48
(b) Daily Census Contact Hours	121.02	-	121.02
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	7,450.00	-	7,450.00
<b>Supplemental Information (subset of above information)</b>			
<b>E. In-service Training Courses</b>	4.96	-	4.96
<b>F. Basic Skills Courses and Immigrant Education</b>			
1. Credit	1,004.51	-	1,004.51
2. Noncredit	29.75	-	29.75
Total Basic Skills FTES	1,034.26	-	1,034.26

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2019**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	9,526,636	-	9,526,636	9,526,636	-	9,526,636
Other	1300	5,973,967	-	5,973,967	5,973,967	-	5,973,967
Total Instructional Salaries		15,500,603	-	15,500,603	15,500,603	-	15,500,603
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	4,251,984	-	4,251,984
Other	1400	-	-	-	261,273	-	261,273
Total Non-Instructional Salaries		-	-	-	4,513,257	-	4,513,257
Total Academic Salaries		15,500,603	-	15,500,603	20,013,860	-	20,013,860
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	7,494,467	-	7,494,467
Other	2300	-	-	-	173,981	-	173,981
Total Non-Instructional Salaries		-	-	-	7,668,448	-	7,668,448
Instructional Aides							
Regular Status	2200	367,892	-	367,892	367,892	-	367,892
Other	2400	124,653	-	124,653	124,653	-	124,653
Total Instructional Aides		492,545	-	492,545	492,545	-	492,545
Total Classified Salaries		492,545	-	492,545	8,160,993	-	8,160,993
Employee Benefits	3000	6,799,494	-	6,799,494	13,950,236	-	13,950,236
Supplies and Materials	4000	-	-	-	399,715	-	399,715
Other Operating Expenses	5000	-	-	-	2,969,823	-	2,969,823
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		22,792,642	-	22,792,642	45,494,627	-	45,494,627
<u>Exclusions</u>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	705,187	-	705,187	705,187	-	705,187
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	1,056,069	-	1,056,069
Object to Exclude							
Rents and Leases	5060	-	-	-	159,905	-	159,905
Lottery Expenditures		-	-	-	-	-	-
Academic Salaries	1000	360,154	-	360,154	360,154	-	360,154
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-inst. Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	748,652	-	748,652
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ 1,065,341	\$ -	\$ 1,065,341	\$ 3,029,967	\$ -	\$ 3,029,967
Total for ECS 84362, 50% Law		\$ 21,727,301	\$ -	\$ 21,727,301	\$ 42,464,660	\$ -	\$ 42,464,660
Percent of CEE (Instructional Salary Cost/Total CEE)		51.17%	0.00%	51.17%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ -	\$ -	\$ -	\$ 21,232,330	\$ -	\$ 21,232,330

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
 PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT  
 FOR THE YEAR ENDED JUNE 30, 2019**

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EPA Revenue	7,147,516
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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	7,147,516	-	-	7,147,516
Total		7,147,516	-	-	7,147,516

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH  
 AUDITED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2019**

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	Ending Fund Balance - June 30, 2019		
	CCFS-311	Audited	Difference
General Fund - Unrestricted	\$ 11,829,299	\$ 10,571,999	\$ (1,257,300)
General Fund - Restricted	\$ 7,775,576	\$ 356,571	\$ (7,419,005)

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF FUND EQUITY TO NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

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<b>Total Fund Equity - District Funds Included in the Reporting Entity</b>		\$ 52,089,591
Assets recorded within the statements of net position not included in the fund financial statements:		
Capital assets	\$ 118,079,107	
Accumulated depreciation	<u>(32,074,017)</u>	86,005,090
Deferred outflows recorded within the statement of net position not included in the District fund financial statements:		
Deferred outflows related to OPEB		2,946,734
Deferred outflows related to pensions		16,526,241
Liabilities recorded within the statements of net position not recorded in the District fund financial statements:		
General obligation bonds	\$ 126,618,458	
Premiums, net	3,366,176	
Net OPEB liability	63,817,088	
Net pension liability	53,693,964	
Compensated absences	<u>942,641</u>	(248,438,327)
Deferred inflows recorded within the statement of net position not included in the District fund financial statements:		
Deferred outflows related to OPEB		(2,296,309)
Deferred inflows related to pensions		<u>(3,853,966)</u>
<b>Net Position Reported Within the Statements of Net Position</b>		<u>\$ (97,020,946)</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

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**NOTE 1 – PURPOSE OF THE SCHEDULE**

**District Organization**

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

**Schedule of Expenditures of Federal Awards**

The Schedule of Expenditure of Federal Awards includes the federal award activity of Imperial Community College District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Educational Institutions or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance

**Schedule of Expenditures of State Awards**

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

**Schedule of Workload Measures for State General Apportionment**

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

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

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

**Proposition 30 Education Protection Account (EPA) Expenditure Report**

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

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

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

**Reconciliation of Fund Equity to Net Position**

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

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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**

Board of Trustees  
Imperial Community College District  
Imperial, California

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Imperial Community College District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Imperial Community College District's basic financial statements, and have issued our report thereon dated December 10, 2019.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal controls, described in the accompanying Schedule of Findings and Questioned Costs, that we considered to be a significant deficiency as Items 2019-001 through 2019-004.

## Compliance and Other Matters

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

## Purpose of this Report

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

*CWDL, Certified Public Accountants*

San Diego, California  
December 10, 2019



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

Board of Trustees  
Imperial Community College District  
Imperial, California

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

We have audited Imperial Community College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Imperial Community College District's major federal programs for the year ended June 30, 2019. Imperial Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with 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 Imperial Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Imperial Community College Districts compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

In our opinion, Imperial Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-005. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

## Report on Internal Control Over Compliance

Management of Imperial 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 Imperial Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Imperial Community College District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance 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 10, 2019



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees  
Imperial Community College District  
Imperial, California

### Report on State Compliance

We have audited Imperial Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2018-2019*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2019 that could have a direct and material effect on each of Imperial Community College District's state programs for the fiscal year ended June 30, 2019, as identified below.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on Imperial Community College District's compliance with the requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual (CDAM) 2018-2019*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about Imperial Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on State Compliance

In our opinion, Imperial Community College District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2019.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *California Community Colleges Contracted District Audit Manual (CDAM) 2018-19*, and which are described in the accompanying schedule of findings and questioned costs as item Finding #2019-006. Our opinion is not modified with respect to these matters.

## Procedures Performed

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

- Section 421 – Salaries of Classroom Instructors (50 Percent Law)
- Section 423 – Apportionment for Activities Funded From Other Sources
- Section 424 – State General Apportionment Funding System
- Section 425 – Residency Determination for Credit Courses
- Section 426 – Students Actively Enrolled
- Section 427 – Dual Enrollment (CCAP and Non-CCAP)
- Section 430 – Scheduled Maintenance Program
- Section 431 – Gann Limit Calculation
- Section 435 – Open Enrollment
- Section 439 – Proposition 39 Clean Energy Fund
- Section 444 – Apprenticeship Related and Supplemental Instruction (RSI) Funds
- Section 475 – Disabled Student Programs and Services (DSPS)
- Section 479 – To Be Arranged Hours (TBA)
- Section 490 – Proposition 1D and 51 State Bond Funded Projects
- Section 491 – 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) 2018-2019*. Accordingly, this report is not suitable for any other purpose.

*CWDL, Certified Public Accountants*

San Diego, California  
December 10, 2019

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## **FINDINGS AND QUESTIONED COSTS**

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**IMPERIAL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**Section I – Schedule of Audit Findings and Questioned Costs**

**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>Yes</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>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards	<u>No</u>
Identification of major programs:	

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

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

**STATE AWARDS**

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2019**

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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*.

**FINDING #2019-001 – OVERALL CLOSING PROCESS**

**Criteria or Specific Requirement**

Best practices require a review and reconciliation of all account balances to reflect proper activity at year end in accordance with Generally Accepted Accounting Principles (GAAP), and that the District general ledger accurately support all activity and ending balances.

**Condition**

Balances reported in the Districts financial system, Banner, are significantly off from the accurate financial results reported to the State Chancellors Office on the CCFS-311 and the audited financial statements.

**Questioned Costs**

Material adjustments to the Banner financial balances were required to properly state activity as of and during the fiscal year ending June 30, 2019. We also noted that unearned revenue was not reported in the District G/L or on the CCFS-311. An audit adjustment was made to properly state the unearned revenue balance. No questioned costs were associated with this finding as the audited financial statement balances appear to be materially accurate.

**Context**

Banner ending balances as of 6/30/2019 were materially different from the amounts reported on the CCFS-311, including:

Account	Fund	Ending Balance June 30, 2019		
		Banner	CCFS-311	Difference
Cash	10	\$ 14,396,309.85	\$ 17,011,434.00	\$ 2,615,124.15
Accounts Receivable	10	4,874,047.37	1,460,478.00	(3,413,569.37)
Accounts Payable	10	5,990,926.82	917,836.00	(5,073,090.82)

An audit adjustment of \$6,451,384 was recorded to properly state unearned revenue.

**Effect**

Material adjustments to the G/L balance were required for management to report results of operations to the Chancellor's. These adjustments were made by management to ensure the financial statements were presented fairly.

**Cause**

Variances in the Banner system due to inadequate procedures and/or system errors.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINDING #2019-001 – OVERALL CLOSING PROCESS, continued**

**Recommendation**

We recommend the District perform a detailed analysis of all ending balances as of 6/30/2019 and adjust the Banner system to reflect the accurate figures. The cause for the variances also needs to be examined at a detailed level to ensure that once balances are correct as of 6/30/2019 they remain accurate going forward.

**Management's Response and Corrective Action Plan**

Management concurs with this recommendation and has developed an action plan to bring in external consultants to work with District staff to correct the balances and identify the cause of the errors in the Banner system. This will be an extensive process that will begin in January 2020, and will be completed prior to the close of the books for 6/30/2020.

**FINDING #2019-002 – CASH COLLECTIONS**

**Criteria**

All cash collected on campus should follow the same internal control procedures as established by the District, including decentralized locations located throughout a campus.

**Condition**

During our interviews at decentralized cash collection locations on campus, we noted the following:

Administration of Justice Department – CRP Card Processing

As part of the training center, the department processes CPR cards for students who pass the training course. The cards are stored in a locked cabinet, however, there has been no reconciliation of the card stock to the amounts received. We recommend that the department should develop procedures to periodically inventory the cards and ensure that all proceeds are accounted for.

Administration of Justice Department – Book Fund

The department has book sellers who periodically buy old and unused books that have excess inventory. The money collected is stored in a cash box and the cash is used for various activities that are not in the budget. We recommend that all cash collected should be deposited to the bank and recorded to ensure proceeds are properly tracked and following District controls.

Library

The library department has their own system to track fees and charges. Although the cash gets deposited to the bank, no one reconciles the library system to the cash deposits in the District's GL to ensure all collections have been deposited. We recommend someone reconcile the systems to ensure all cash is accounted for.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINDING #2019-002 – CASH COLLECTIONS, continued**

Nursing Department

The nursing department administers assessment testing. For students to reserve a seat, the department charges a non-refundable deposit of \$20. This cash is deposited into a lock box and used for various department activities like the annual nursing celebration event. The cash is not recorded, nor deposited in a District bank account. We recommend that the cash be deposited to ensure proper tracking and recording.

**Effect**

Potential for misappropriation of cash.

**Cause**

The various departments are not following district adopted controls over cash receipting.

**Recommendation**

We recommend that all cash collected on campus follow the procedures in place by the District. All cash collected should be accounted for and recorded in the system and deposited into a District bank account.

**Management's Response and Corrective Action Plan**

Management concurs with this recommendation and will develop internal control procedures for all cash collections on campus. All cash collections will be accounted for and recorded in the system and deposited into a District bank account. Cash collection procedures will identify and approve a limited amount of decentralized locations located throughout the campus authorized to collect cash. This procedure will be established and implemented prior to the close of the books for 6/30/2020.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINDING #2019-003 – CASH BALANCE REPORTING**

**Criteria or Specific Requirement**

The completeness and accuracy criteria of recording all cash balances in the proper time period under Generally Accepted Accounting Principles indicate that an analysis should be performed on all operations of the District. The District should review all operations and ensure that all cash balances and activity are properly reflected, and that all reconciliations are accurate and completed timely.

**Condition**

The District did not report the operations or cash balances in two PayPal accounts, which included the activity of community education classes, retiree health insurance premiums, and other activity. We also noted the ending cash balance in the clearing account may not be accurate.

**Questioned Costs**

No questioned costs identified. At June 30, 2019 the ending cash balance not reported was \$20,619. In addition, we noted potentially inaccurate reconciling items in the clearing account, including outstanding checks dated 2018.

**Context**

Two "off book" accounts (PayPal) were identified and reconciliation for the clearing account may not be accurate.

**Effect**

Incomplete and inaccurate financial reporting.

**Cause**

Clerical oversight and operational issues with the accounting for clearing fund activity.

**Recommendation**

The District should ensure that all financial operations are under District Business Office control, reported in the general ledger, and all cash balances are reflected in the statement of financial position.

**Management's Response and Corrective Action Plan**

The District will research a more appropriate method of accepting payments for the transactions currently done through PayPal to eliminate this practice. Management will report all activity and explore options for the best practice to record and account for this activity. Management has developed an action plan to bring in external consultants to work with District staff to correct the clearing account balances and identify the cause of the errors in the Banner system. This will be an extensive process that will begin in January 2020 and will be completed prior to the close of the books for 6/30/2020.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINDING #2019-004 – STUDENT CLUB ACCOUNTS (ASG and other Clubs)**

**Criteria**

District internal control procedures over cash receipts require that no person with access to cash receipts have sole responsibility over access, recording and custody, and that all cash receipts be properly supported by detail that would allow for sufficient review and recalculation of amounts earned. This requirement applies to all operations of the District, including trust account activity for student groups.

**Condition**

In our testing over cash receipts, we noted receipts received at decentralized collection points lacked sufficient detail for the District office to ensure that proper segregation of duties with respect to receipting functions were in place, and that reviews were performed to thoroughly reconcile amounts collected and deposited.

**Effect**

Non-compliance with District procedures and lack of proper internal controls.

**Cause**

Decentralization of receipting activities.

**Fiscal Impact**

No direct fiscal impact.

**Recommendation**

We recommend the District increase centralized monitoring efforts to ensure segregation of the core duties over the cash handling process for all organizations and ensure that sufficient detail of receipts are maintained to allow for recalculation of revenue.

**Management's Response and Corrective Action Plan**

Management concurs with this recommendation and will develop internal control procedures to ensure segregation of duties for all student group accounts. The District will research a more appropriate method of accepting payments for all transactions. Management will explore options for the best practice to record and account for all revenue. This procedure will be established and implemented prior to the close of the books for 6/30/2020.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

**FINDING #2019-005 – GRAMM-LEACH-BLILEY ACT COMPLIANCE**

**Criteria or Specific Requirement**

The Gramm-Leach Bliley Act (GLBA) requires districts to have a documented response to the Safeguards Rule. Specifically, this response covers key requirements including:

- Designate an information security officer and related oversight responsibilities for the institution's security.
- Assess the risks to confidential information, assess the level of mitigating controls in place, and identify action plans to accept or further mitigate remaining risks.
- Implement an information security program, including various technical and physical underlying controls, such as data encryption and secure shredding processes.
- Oversee vendor relationships to ensure confidential data are secured at their locations when applicable and access is controlled when vendors connect to the institution.
- Perform an ongoing evaluation of their program to keep content current with an ever-evolving security environment.

**Condition**

We noted that the development of the response is currently underway with anticipated completion and implementation during 2019-20.

**Questioned Costs** – Not applicable.

**Context**

Compliance with GLBA requirements.

**Effect**

The intent of the GLBA Safeguards Rule is to enhance security over confidential information. Without a documented response to all applicable requirements, the District is more susceptible to IT vulnerabilities than it will be following full implementation.

**Cause**

Steps taken in response to GLBA compliance requirements, new for the 2018-19 year, require extensive administrative efforts to implement.

**FINDING #2019-005 – GRAMM-LEACH-BLILEY ACT COMPLIANCE , continued**

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**Recommendation**

The District should continue towards full implementation of its documented response to the GLBA Safeguards Rule in the 2019-20 year.

**Management's Response and Corrective Action Plan**

Management concurs with this recommendation and the district is in the process of establishing an information security program to meet the standards set forth by GLBA. The program will include, designated oversight, policies and procedures, physical and technical controls, and on-going yearly evaluations to substantiate that the District continues to meet GLBA standards.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

**FINDING #2019-006 – STUDENT RESIDENCY, ATHELTES FORM 1**

**Criteria**

Per the California Community College Chancellor’s Office Contracted District Audit Manual, all student athletes who participate in an organized competitive sport sponsored by the college should have a completed Athlete’s Commission Athletics Form 1 on file. This information should be completed, and all applicable information should be consistent with the students registration documents.

**Condition**

In our testing of student athlete residency, we noted two instances of non-compliance related to the Athlete’s Commission Athletics Form 1. One student was locked as “Out-of-State” of the Form 1 but listed as a resident. This student was determined to be a resident. Another student did not indicate if the student was in-district, in-state, etc.

**Effect**

Potential for a student to be classified wrong for purpose of reporting student residency status.

**Cause**

Inadequate review over Athlete’s Commission Athletes Form 1.

**Recommendation**

We recommend that all student athletes who are required to have a Form 1 on file, be verified to ensure that the form is complete and matching the students residency application.

**Management's Response and Corrective Action Plan**

Management concurs with this recommendation and has implemented a change in this process. Completed Athlete’s Commission Athletics Form 1 will be sent to and reviewed by the Admissions and Records Department to ensure consistency with student registration documents. This new process will be implemented during the 2019-20 year.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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*There were no findings or questioned costs for the prior fiscal year ended June 30, 2018.*