

IMPERIAL COMMUNITY COLLEGE DISTRICT

IMPERIAL COUNTY

IMPERIAL, CALIFORNIA

AUDIT REPORT

JUNE 30, 2012

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INTRODUCTORY SECTION

IMPERIAL COMMUNITY COLLEGE DISTRICT INTRODUCTION

Introduction

The audit has the following objectives:

- To obtain reasonable assurance about whether the Imperial Community College District's basic financial statements are free of material misstatement.
- To consider the Imperial Community College District's internal control over financial reporting and compliance with requirements that could have a direct and material effect on a major federal program.
- To perform tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.
- To determine with reasonable assurance that the Imperial Community College District complied with certain state regulatory requirements.
- To recommend appropriate actions to correct noted deficiencies.

INDEPENDENT AUDITOR'S REPORT

**The Board of Trustees
Imperial Community College District
Imperial, California**

We have audited the accompanying financial statements of the business type activities and the discretely presented component unit of the Imperial Community College District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 *Contracted District Audit Manual* issued by the California Community College Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the Imperial Community College District as of June 30, 2012, and the results of its operations, changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other information identified as Required Supplementary Information 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.

Our audit was conducted for the purpose of forming opinions on the District's basic financial statements. The schedule of funding progress for the benefits plan is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The accompanying other supplementary information is presented for purposes of additional analysis as required by the *Contracted District Audit Manual* issued by the California Community College Chancellor's Office, and is also not a required part of the financial statements. The combining financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 7, 2012

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2012**

INTRODUCTION

The Imperial Community College District (the District) consists of one main campus. The District serves approximately 7,000 students. Full-Time Equivalent Student (FTES) enrollment for 2011-12 was 6,119.

The following discussion and analysis provides an overview of the financial position and activities of the Imperial Community College District for the year ended June 30, 2012. Please read it in conjunction with the financial statements and notes thereto which follow this section.

FINANCIAL HIGHLIGHTS

During 2011-12, total reported full-time equivalent students decreased approximately 16%. Credit FTES, Non-Credit FTES along with other workload measures, are the basis for the District's state apportionment. Workload measures directly related to credit/non-credit FTES account for over \$25 million state general apportionment.

Trend of Full Time Students as Reported on the Annual Report

	07-08	08-09	09-10	10-11	11-12
FTES	7,154	7,426	7,132	7,290	6,119

OVERVIEW OF THE FINANCIAL STATEMENTS

The District was required to implement the reporting standards of Governmental Accounting Standards Board (GASB) Statement No. 34, as amended by GASB Statement No. 35 on July 1, 2002. This adoption changed the format and the content of the District's basic financial statements. The District is following the Business Type Activity (BTA) model. Rather than issuing fund-type financial statements, this GASB Statement No. 34 requires the following components to be included in the District's financial statements:

- Management's Discussion and Analysis;
- Basic financial statements including a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows for the District as a whole; and
- Notes to the financial statements.

Additionally, fund balance is now referred to as Net Assets, and the Statement of Cash Flows is presented using the direct method.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2012**

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

The **Statement of Net Assets** presents the assets, liabilities, and net assets of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis, used by most private sector organizations. The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition of the District, or one way to measure the financial health of the District.

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

The **Statement of Revenues, Expenses and Changes in Net Assets** represents the operating results of the District. The purpose of the statement is to present the revenues received by the District, both operating and non-operating, the expenses paid by the District, operating and non-operating, and any other revenues, expenses, gains and losses. Thus, this statement presents the District's results of operations.

Changes in total net assets, as indicated on the Statement of Net Assets, are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Non-operating revenues are those received or pledged for which goods and services are not provided. For example, State appropriations are non-operating revenues because they are provided by the State Legislature to the District without the Legislature directly receiving commensurate goods and services for the revenues.

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

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash provided by the operating activities of the District. The second part details cash received for non-operating, non-investing and non-capital activities of the institution. The third section deals with the cash used for the acquisition and construction of capital and related financing activities.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2012**

The fourth part provides information from investing activities. This section reflects the cash received and spent for short-term investment and any interest paid or received on those investments.

The final section reconciles the net cash provided by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets. The net cash reconciliation is shown in the expanded version of the Statement of Cash Flows in the financial statements.

The Statement of Net Assets as of June 30, 2012, is summarized below:

Statement of Net Assets			
	June 30, 2012	June 30, 2011	Change
Current assets	41,259,448	49,339,900	(8,080,452)
Capital assets	51,111,629	46,480,989	4,630,640
Total Assets	92,371,077	95,820,889	(3,449,812)
Current liabilities	14,400,118	14,538,820	(138,702)
Long-term liabilities	89,909,739	88,451,894	1,457,845
Total Liabilities	104,309,857	102,990,714	1,319,143
Net assets			
Invested in capital assets net of related debt	0	0	0
Restricted	0	0	0
Unrestricted	(11,938,780)	(7,169,825)	(4,768,955)
Total Net Assets	(11,938,780)	(7,169,825)	(4,768,955)
Total Liabilities and Net Assets	92,371,077	95,820,889	(3,449,812)

Total Liabilities had a net increase of \$1.3 million in part due to normal operating activities and the rest in long term debt related to the General Obligation Bonds.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2012**

The Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2012, is summarized below:

Statement of Revenues, Expenses and Changes in Net Assets

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Change</u>
Operating revenues	32,964,162	34,223,067	(1,258,905)
Operating expenses	<u>71,129,793</u>	<u>71,605,146</u>	<u>(475,353)</u>
Deficit before depreciation and non-operating income and expense	(38,165,631)	(37,382,079)	(783,552)
Depreciation	<u>1,817,135</u>	<u>1,849,042</u>	<u>(31,907)</u>
Deficit before non-operating income and expense	(39,982,766)	(39,231,121)	(751,645)
Non-operating income and expense, net	<u>35,213,811</u>	<u>38,340,987</u>	<u>(3,127,176)</u>
Increase (decrease) in net assets	<u><u>(4,768,955)</u></u>	<u><u>(890,134)</u></u>	<u><u>(3,878,821)</u></u>

Operating Revenues

The Changes in Net Assets comparison presents the District's results of operations and shows a decrease of \$3,878,821. Operating revenues over operating expenses decreased by \$751,645. State apportionment and property taxes are recorded in non-operating income. Net non-operating income and expense decreased by \$3,127,176.

Tuition and fees are generated by the resident, non-resident and foreign fees paid by students attending the District, including fees such as parking fees, community services classes and other related fees.

Non-capital grants and contracts are primarily those received from federal and state sources and used in the instructional and student services programs.

Operating Expenses

Operating expenses are 52.24% related to personnel costs. The balance of operating expenses is for supplies, other services, and capital outlay items below the capitalization threshold, financial aid, insurance, utilities and depreciation expense.

State apportionment is generated based on the FTES reported to the state by the District. The District has experienced decreases in FTES due to reductions in work load measures and lack of growth funding and COLA.

Local property taxes are received through the Imperial County Office of Education. The amount received for property taxes and 98% of the amount charged to students for enrollment (currently \$46.00 per unit) is deducted from the total state general apportionment amount calculated by the state for the District.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2012**

The Statement of Cash Flows for the year ended June 30, 2012 is summarized below:

Statement of Cash Flows

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Change</u>
Operating activities	(41,145,831)	(35,274,329)	(5,871,502)
Non-capital financing activities	39,923,149	43,437,371	(3,514,222)
Capital and related activities	(9,853,526)	13,119,595	(22,973,121)
Investing activities	<u>274,258</u>	<u>279,998</u>	<u>(5,740)</u>
Net Increase (decrease) in Cash and Cash Equivalents	(10,801,950)	21,562,635	(32,364,585)
Cash Balance, Beginning of Year	<u>39,454,499</u>	<u>17,891,864</u>	<u>21,562,635</u>
Cash Balance, End of Year	<u><u>28,652,549</u></u>	<u><u>39,454,499</u></u>	<u><u>(10,801,950)</u></u>
Cash Used by Operating Activities	<u><u>(41,145,831)</u></u>	<u><u>(35,274,329)</u></u>	<u><u>(5,871,502)</u></u>

DISTRICT FIDUCIARY RESPONSIBILITY

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2012**

CAPITAL ASSETS

As of June 30, 2012, the District had over \$67.1 million invested in capital assets. Capital assets consist of land and land improvements; buildings and building improvements, infrastructure, vehicles, data processing equipment and other equipment that met the capitalization threshold recommended by GASB 35. These assets have accumulated depreciation of \$16 million, leaving a net asset amount of \$51.1 million.

A summary of capital assets net of accumulated depreciation and changes therein is presented below:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Change</u>
Land & Improvements	175,900	175,900	0
Work In Progress	5,448,259	2,998,830	2,449,429
Buildings & Improvements	43,741,236	41,728,392	2,012,844
Equipment	1,746,234	1,577,867	168,367
Total	<u>51,111,629</u>	<u>46,480,989</u>	<u>4,630,640</u>

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

While the state financial outlook for the next two to three years looks more promising, the district needs to be very conservative in its spending and it needs to conserve adequate reserves. This is necessary to maintain fiscal stability and to make sure that we have sufficient funds to meet our obligations. The district needs to take into consideration the impact that GASB 45 will have on our general fund.

It is important that we remain prudent fiscally to prevent any serious economic downturn at the District. We need to do so by maintaining a more than required reserve as directed by the President and the Board of Trustees. It is also imperative that the state supports the community college community with a generous COLA and growth on an ongoing basis.

BASIC FINANCIAL STATEMENTS

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	District	Imperial Valley College Foundation (Unaudited)
ASSETS		
Current assets:		
Cash in county treasury	\$ 27,964,116	\$ -
Cash in banks	60,192	128,259
Cash with fiscal agent	610,465	-
Investments	-	1,191,994
Revolving cash	17,776	-
Accounts receivable, net	12,582,785	-
Stores inventory	24,114	-
Total current assets	41,259,448	1,320,253
Non-current assets:		
Capital assets, net of accumulated depreciation	51,111,629	15,000
TOTAL ASSETS	\$ 92,371,077	\$ 1,335,253
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 1,497,981	\$ -
Temporary loans	8,000,000	-
Deferred revenues	2,267,384	-
Compensated absences	849,753	-
Bonds payable - current portion	1,440,000	-
COPS payable - current portion	345,000	-
Total current liabilities	14,400,118	-
Non-current liabilities:		
Bonds payable	63,320,499	-
COPS payable	1,085,000	-
Bond anticipation notes	14,000,956	-
Accreted interest	3,506,715	-
Net OPEB obligation	7,996,569	-
Total non-current liabilities	89,909,739	-
TOTAL LIABILITIES	104,309,857	-
NET ASSETS		
Invested in capital assets, net of related debt	-	15,000
Restricted - expendable	-	1,149,458
Unrestricted	(11,938,780)	170,795
TOTAL NET ASSETS (DEFICIT)	(11,938,780)	1,335,253
TOTAL LIABILITIES AND NET ASSETS	\$ 92,371,077	\$ 1,335,253

See the accompanying notes to the financial statements

IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
JUNE 30, 2012

	District	Imperial Valley College Foundation (Unaudited)
OPERATING REVENUES		
Tuition and fees	\$ 2,146,087	\$ -
Grants and contracts, non-capital:		
Federal	22,817,945	-
State	7,090,882	-
Local	781,848	216,796
Sales and Commissions	127,400	-
TOTAL OPERATING REVENUES	32,964,162	216,796
OPERATING EXPENSES		
Academic salaries	18,744,446	-
Classified salaries	8,564,457	-
Employee benefits	10,799,692	-
Supplies, materials and other operating expenses	7,921,916	37,522
Financial aid	20,559,159	160,950
Utilities	772,983	-
Interest and fiscal charges	3,767,140	-
Depreciation	1,817,135	-
TOTAL OPERATING EXPENSES	72,946,928	198,472
OPERATING INCOME (LOSS)	(39,982,766)	18,324
NON-OPERATING REVENUES		
State apportionments, non-capital	26,994,051	-
Local property taxes	6,863,817	-
State taxes and other revenue	1,081,685	-
Interest and investment income	274,258	3,526
Net unrealized gain (loss) on investments	-	33,375
TOTAL NON-OPERATING REVENUES	35,213,811	36,901
INCREASE (DECREASE) IN NET ASSETS	(4,768,955)	55,225
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(7,169,825)	1,280,028
NET ASSETS (DEFICIT), END OF YEAR	\$ (11,938,780)	\$ 1,335,253

See the accompanying notes to the financial statements

IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
JUNE 30, 2012

	District	Imperial Valley College Foundation (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 2,146,087	\$ -
Federal grants and contracts	22,817,945	-
State grants and contracts	7,090,882	-
Local grants and contracts	781,848	216,587
Sales and commissions	127,400	-
Payments to suppliers	(15,442,239)	(37,522)
Payments to/on behalf of employees	(38,108,595)	-
Payments to/on behalf of students	(20,559,159)	(160,950)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(41,145,831)	18,115
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionment and other receipts	33,059,332	-
Property taxes	6,863,817	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	39,923,149	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(6,447,775)	-
Principal paid on capital debt	(1,665,000)	-
Interest paid on capital debt	(1,740,751)	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(9,853,526)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(12,491)
Interest on investments	274,258	36,901
NET CASH PROVIDED BY INVESTING ACTIVITIES	274,258	24,410
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,801,950)	42,525
CASH BALANCE, BEGINNING OF YEAR	39,454,499	85,734
CASH BALANCE, END OF YEAR	\$ 28,652,549	\$ 128,259
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (39,982,766)	\$ 55,225
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,817,135	-
Net Unrealized Gain On Investments	-	(33,375)
Changes in assets and liabilities:		
Receivables, net	(2,724,285)	-
Stores inventory	2,787	-
Accounts payable	(827,780)	(3,735)
Temporary loans	-	-
Deferred revenues	573,768	-
Compensated absences	(4,690)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (41,145,831)	\$ 18,115

See the accompanying notes to the financial statements

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012**

	Associated Students Trust	Scholarship and Loan Trust	Campus Organizations	Representation Fee Trust	Totals
ASSETS					
Cash on hand and in banks	84,208	10,116	61,499	-	155,823
Accounts receivable	-	-	-	-	-
TOTAL ASSETS	<u>84,208</u>	<u>10,116</u>	<u>61,499</u>	<u>-</u>	<u>155,823</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	-	-	-	-	-
Due to governmental funds	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS					
Restricted	-	10,116	61,499	-	71,615
Unrestricted	84,208	-	-	-	84,208
TOTAL NET ASSETS	<u>84,208</u>	<u>10,116</u>	<u>61,499</u>	<u>-</u>	<u>155,823</u>
TOTAL LIABILITIES AND NET ASSETS	<u>84,208</u>	<u>10,116</u>	<u>61,499</u>	<u>-</u>	<u>155,823</u>

See the accompanying notes to the financial statements

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
JUNE 30, 2012**

	Associated Students Trust	Scholarship and Loan Trust	Campus Organizations	Representation Fee Trust	Totals
REVENUES					
Local revenues	\$ 124,599	\$ 774,433	\$ 96,102	\$ 22,782	1,017,916
Interest and investment income	37	213	31	-	281
TOTAL REVENUES	<u>124,636</u>	<u>774,646</u>	<u>96,133</u>	<u>22,782</u>	<u>1,018,197</u>
EXPENDITURES					
Classified salaries	7,977	-	-	-	7,977
Scholarships and loans	-	777,919	-	-	777,919
Other operating expenses	117,038	-	92,200	22,782	232,020
Capital outlay	5,074	-	-	-	5,074
TOTAL EXPENDITURES	<u>130,089</u>	<u>777,919</u>	<u>92,200</u>	<u>22,782</u>	<u>1,022,990</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,453)</u>	<u>(3,273)</u>	<u>3,933</u>	<u>-</u>	<u>(4,793)</u>
FUND BALANCES, BEGINNING OF YEAR	89,661	13,389	57,566	-	160,616
FUND BALANCES, END OF YEAR	<u>\$ 84,208</u>	<u>\$ 10,116</u>	<u>\$ 61,499</u>	<u>\$ -</u>	<u>\$ 155,823</u>

See the accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments and including Statement No.35, Basic Financial Statements and Management Discussion and Analysis of Public Colleges and Universities, issued in June and November 1999 and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements.

The budgetary and financial accounts of the district have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

B. Reporting Entity

Imperial Community College District is a political subdivision of the State of California and provides higher educational services in the County of Imperial, State of California. The District is classified as a state instrumentality under Internal Revenue Code Section 115, and is also classified as a charitable organization under Internal Revenue Code 501 © 3, and is therefore exempt from federal and state income taxes.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles and GASB Statement No. 14. The District evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements, which are misleading or incomplete.

GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District. Based on these criteria, the District has one component unit, the Imperial Valley College Foundation. In addition, the District is not a component unit of any reporting entity as defined by the GASB statement. The Imperial Valley College Foundation also issues a separate audited financial report, which can be obtained from the District or the Foundation.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting.

Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated. When the District incurs an expenditure or an expense for which both unrestricted and restricted resources may be used, it is the District's policy to use restricted resources first, and then unrestricted resources.

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's governing board must approve a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles.

The District's governing board revises these budgets during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

In accordance with GASB Statement No. 20, the District follows all GASB statements issued prior to November 30, 1989 until subsequently amended, superceded or rescinded. The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after the applicable date.

D. Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances were liquidated at June 30 since they do not constitute expenditures or liabilities.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets Liabilities, and Equity

1. Cash and Cash Equivalents

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits, and collateral is considered to be held in the name of the District. All District cash held by financial institutions is entirely insured or collateralized.

In accordance with Education Code Section 41001, the District maintains a substantial amount of its cash in the Imperial County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized. Restricted cash and cash equivalents are those amounts externally restricted as to use pursuant to the requirements of the District's grants and contracts amounts. Information regarding the amount of dollars invested in derivatives with Imperial County Treasury was not available.

2. Accounts Receivable

Accounts receivable consists primarily of amounts due from the Federal government, State and local governments or private resources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. There were no significant receivables, which are not scheduled for collection within one year of year-end.

3. Inventory

Inventory is valued at the lower of cost or market utilizing the first-in first-out method and consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are withdrawn from the stores inventory for consumption.

4. Compensated Absences

In accordance with GASB Statement No. 16, accumulated unpaid employee vacation benefits are recognized as liabilities of the District as compensated absences in the Statement of Net Assets. Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued)

5. Capital Assets

Capital assets are recorded at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Interest incurred during construction is not capitalized.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method with a half-year convention over the estimated useful lives of the assets, generally 25-50 years for buildings, 20-25 years for building and land improvements, and 5-15 years for equipment and vehicles.

6. Net Assets

Invested in capital assets, net of related debt: This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - expendable: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of endowment and similar fund types in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District has no restricted assets – nonexpendable.

Unrestricted net assets: Unrestricted net assets represent resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes.

7. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to qualifying expenditures. In future periods, when both revenue recognition criteria are met or when the District has a claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Imperial bills and collects the taxes for the District. Real and personal property tax revenues are reported in the same manner in which the county auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis.

G. On-Behalf Payments

GASB Statement No. 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 Retirement System on behalf of all community college districts in California; however, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments.

H. Classification of Revenues

The District has classified its revenues as either operating or non-operating revenues according to the following criteria: Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as student fees and Federal and most State and local grants and contracts. Non-operating revenues - Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as state apportionments, taxes, and other revenue sources that are defined as non-operating revenues by GASB No. 9 Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting, and GASB No. 33, such as investment income.

I. Tuition and Fees

Student tuition and fee revenues, and certain other revenues from students, are reported in the statement of revenues, expenses, and changes in net assets. 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.

J. Accounting Changes

As a result of the adoption of GASB Statements No. 34 and No. 35, the District was also required to make certain changes in accounting principles, specifically the adoption of depreciation on capital assets for all funds and the recording of long-term debt. Net assets at July 1, 2011 were decreased \$45,169,815 for the cumulative effect of these changes on years prior to fiscal year ended June 30, 2012.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those reported.

L. Fund Balance Reserves and Designations

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

M. Minimum Fund Balance

The District maintains a minimum reserve, within the general fund, an amount not less than the amount required by state law. The minimum reserve shall apply towards the established minimum Reserve for Economic Uncertainties or an amount that meets or exceeds the requirements by law. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Because amounts in the non-spendable, restricted, committed, and assigned categories are subject to varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

NOTE 2 - CASH AND INVESTMENTS

Cash in County Treasury

In accordance with Education Code Section 41001, the district maintains a significant portion of its cash in the Imperial County Treasury as part of the common investment pool (\$27,964,116 as of June 30, 2012).

The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. Government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

In accordance with GASB 31, investments in the cash in county treasury should be recorded at fair value. However, the District determined that the fair value approximates cost; therefore, no adjustment was made to reflect the difference.

Cash on Hand, in Banks, in Certificates of Deposit, and in Revolving Funds

Cash balances on hand and in banks for all fund types (\$216,015 as of June 30, 2012) and in revolving funds (\$17,776) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by financial institutions is entirely insured or collateralized.

Cash with Fiscal Agent

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. These custodial risk categories are as follows:

Category 1 - Investments that are insured, registered or held by its agent in the District's name.

Category 2 - Investments that are uninsured and unregistered held by the counter party's trust department or agent in the District's name.

Category 3 - Uninsured and unregistered investments held by the counter party, its trust department or its agent, but not in the District's name.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)**

NOTE 2 - CASH AND INVESTMENTS (Continued)

The District's investments at June 30, 2012 are shown below.

<u>Investment</u>	<u>Category</u>			<u>Reported Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Money Market Funds	\$ -	\$ 350,338	\$ -	\$ 350,338	\$ 350,338
U.S. Treasury Obligations	-	260,127	-	260,127	260,127
Totals	\$ -	\$ 610,465	\$ -	\$ 610,465	\$ 610,465

Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at a time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

NOTE 3 - ACCOUNTS RECEIVABLE

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable at June 30, 2012 consists of the following:

Federal	\$ 677,369
State Apportionment	9,670,837
Other State	1,581,833
Local	599,105
Interest	53,641
Total	<u>\$ 12,582,785</u>

NOTE 4 - ACCOUNTS PAYABLE

Accounts payable balances at June 30, 2012 consists of the following:

Vendor payables	\$ 814,843
Salaries and benefits	28,625
Financial aid	14,776
Accrued interest/other	639,737
Total	<u>\$ 1,497,981</u>

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 5 - CAPITAL ASSETS

A summary of changes in capital asset activity is as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Net Change</u> <u>in Capital</u> <u>Assets</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>Capital Assets</u>			
Land	\$ 175,900	\$ -	\$ 175,900
Site Improvements	10,426,161	1,925,522	12,351,683
Buildings	43,320,804	1,505,755	44,826,559
Equipment	3,902,462	396,842	4,299,304
Work in Progress	<u>2,998,830</u>	<u>2,449,429</u>	<u>5,448,259</u>
Total Cost	60,824,157	6,277,548	67,101,705
<u>Accumulated Depreciation</u>			
Site Improvements	(1,689,794)	(501,148)	(2,190,942)
Buildings	(10,328,779)	(917,285)	(11,246,064)
Equipment	<u>(2,324,595)</u>	<u>(228,475)</u>	<u>(2,553,070)</u>
Total Accumulated Depreciation	<u>(14,343,168)</u>	<u>(1,646,908)</u>	<u>(15,990,076)</u>
Net Capital Assets	<u>\$ 46,480,989</u>	<u>\$ 4,630,640</u>	<u>\$51,111,629</u>

NOTE 6 - INTERFUND TRANSACTIONS

Interfund activity has been eliminated in the basic financial statements as required by GASB No.34.

NOTE 7 - BONDS PAYABLE

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

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

In November 2006, the District authorized the sale and issuance of General Obligation Bonds, Election of 2004, and Series 2006B in the amount of \$13,285,473. Proceeds from the sale of the bonds will be used to finance the addition and modernization of college facilities for the District. Interest is payable February 1 and August 1, commencing August 1, 2007 at rates ranging from 4.00% to 4.25%. Principal is payable on August 1, commencing August 1, 2009 and through the maturity date August 1, 2031.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)**

NOTE 7 - BONDS PAYABLE (Continued)

In November 2007, the District authorized the sale and issuance of General Obligation Bonds, Election of 2004, and Series 2007C in the amount of \$11,915,816. Proceeds from the sale of the bonds will be used to finance the addition and modernization of college facilities for the District. Interest is payable February 1 and August 1, commencing August 1, 2008 at rates ranging from 4.00% to 7.00%. Principal is payable on August 1, commencing August 1, 2009 and through the maturity date August 1, 2032.

In May 2009, the district issued \$3,031,779 in General Obligation Bonds in order 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 variable 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 through the maturity date August 1, 2033.

In May 2009, the District issued \$5,866,919 in General Obligation Bonds in order 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 \$9,045,512 in General Obligations Bonds in order 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.

The outstanding bonded debt of the District as of June 30, 2012 is as follows:

Date of Issuance	Interest Rate	Maturity Date	Amounts Outstanding Issue	Amounts Outstanding July 1, 2011	Issued Current Year	Redeemed Current Year	Amounts Outstanding June 30, 2012
2002	1.4%-5.0%	2017	\$ 3,370,000	\$ 1,805,000	\$ -	\$ 225,000	\$ 1,580,000
2005	3.3%-7.0%	2029	24,500,000	21,840,000	-	455,000	21,385,000
2006	4.0%-4.3%	2031	13,285,473	12,280,473	-	30,000	12,250,473
2007	4.0%-7.0%	2032	11,915,816	11,865,816	-	625,000	11,240,816
2008	3.6%-6.9%	2034	3,031,779	3,031,779	-	-	3,031,779
2009	6.9%	2038	5,866,919	5,866,919	-	-	5,866,919
2011	3.5%-7.0%	2027	9,405,512	9,405,512	-	-	9,405,512
Totals			<u>\$ 71,375,499</u>	<u>\$ 66,095,499</u>	<u>\$ -</u>	<u>\$ 1,335,000</u>	<u>\$ 64,760,499</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)**

NOTE 7 - BONDS PAYABLE (Continued)

Debt service requirements on lease revenue bonds and general obligation bonds payable outstanding as of June 30, 2012 is as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 1,400,000	\$ 1,430,641	\$ 2,830,641
2014	1,575,000	1,358,190	2,933,190
2015	1,762,436	1,286,950	3,049,386
2016	2,389,073	1,842,022	4,231,095
2017	2,219,818	1,838,273	4,058,091
2018-2022	11,172,384	10,996,662	22,169,046
2023-2027	13,222,624	14,556,965	27,779,589
2028-2032	14,447,376	19,650,602	34,097,978
2033-2037	7,378,473	35,756,214	43,134,687
2038-2042	9,193,315	11,255,379	20,448,694
Totals	<u>\$ 64,760,499</u>	<u>\$ 99,971,898</u>	<u>\$ 164,732,397</u>

NOTE 8 - BOND ANTICIPATION NOTES

In December 2010, the District issued 2010 General Obligation Bond Anticipation Notes in the amount of \$14,000,956 which bear interest at a rate of 4.62% for the purpose of financing the acquisition and construction of educational facilities and projects approved in the ballot measure on November 2, 2010 which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of \$80,000,000. The 2010 notes are being issued in anticipation of the issuance of a series of the general obligation bonds. The 2010 notes are secured by a pledge of the proceeds of general obligation bonds and the District has covenanted to commence proceedings for the issuance and sale of the general obligation bonds in a principal amount sufficient to pay the 2010 notes coming due and payable at maturity. The 2010 notes are issued as capital appreciation notes and will not bear interest on a current basis, but will accrete interest from the date of delivery to maturity. The original amount on the notes including compounded interest is due August 1, 2014 at maturity.

Date of Issuance	Interest Rate	Maturity Date	Amounts Outstanding Issue	Amounts Outstanding July 1, 2011	Issued Current Year	Redeemed Current Year	Amounts Outstanding June 30, 2012
2010	4.62%	2014	<u>\$ 14,000,956</u>	<u>\$ 14,000,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,000,956</u>

Debt services requirements on bond anticipation notes outstanding as of June 30, 2012 is as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ -	\$ -	\$ -
2014	-	-	-
2015	<u>14,000,956</u>	<u>2,494,044</u>	<u>16,495,000</u>
Totals	<u>\$ 14,000,956</u>	<u>\$ 2,494,044</u>	<u>\$ 16,495,000</u>

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 9 - COPS PAYABLE

In June 2004, the District issued Certificates of Participation in the amount of \$3,500,000 to finance construction of certain new projects and other improvements to school facilities with the District. Interest is payable on February 1 and August 1 of each year commencing February 1, 2005 at rates ranging from 2.50-4.85%. Principal is payable on August 1 of each year, commencing August 1, 2005 and through the maturity date August 1, 2014.

<u>Date of Issuance</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amounts Outstanding Issue</u>	<u>Amounts Outstanding July 1, 2011</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Amounts Outstanding June 30, 2012</u>
2004	2.5%-4.9%	2014	<u>\$ 3,500,000</u>	<u>\$ 1,760,000</u>	<u>\$ -</u>	<u>\$ 330,000</u>	<u>\$ 1,430,000</u>

Debt service requirements on COPS outstanding as of June 30, 2012 is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 345,000	\$ 59,629	\$ 404,629
2014	360,000	43,622	403,622
2015	<u>725,000</u>	<u>17,581</u>	<u>742,581</u>
Totals	<u>\$ 1,430,000</u>	<u>\$ 120,832</u>	<u>\$ 1,550,832</u>

NOTE 10 - GENERAL LONG-TERM DEBT

Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 2012 is shown below:

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>	<u>Amount Due In One Year</u>
Bonds Payable	\$ 66,095,499	\$ -	\$ 1,335,000	\$ 64,760,499	\$ 1,440,000
Bond Anticipation Notes	14,000,956	-	-	14,000,956	-
COPS Payable	1,760,000	-	330,000	1,430,000	345,000
Accreted Interest	1,440,596	2,066,119	-	3,506,715	-
Net OPEB Obligation	<u>6,819,843</u>	<u>2,565,899</u>	<u>1,389,173</u>	<u>7,996,569</u>	<u>-</u>
Totals	<u>\$ 90,116,894</u>	<u>\$ 4,632,018</u>	<u>\$ 3,054,173</u>	<u>\$ 91,694,739</u>	<u>\$ 1,785,000</u>

NOTE 11 - TEMPORARY LOANS

In February 2012, the District entered into the Imperial County 2011-12 Mid-Year Tax and Revenue Anticipation Notes (TRANS) in the amount of \$8,000,000. The notes mature on December 31, 2012 and were sold to supplement the District's cash flows and bear interest at a rate of 2.00%. Principal and interest on the notes will be paid through taxes, income, revenue, and cash receipts received by the District which are considered unrestricted revenues. The notes are secured by a pledge of unrestricted revenues to be received by the District during the 2011-12 fiscal year, an amount equal to 100% of the principal and interest and on the notes at maturity. Total repayment includes \$8,000,000 in principal and estimated interest in the amount of \$106,492. Total temporary loan balance at June 30, 2012 is \$8,000,000 in principal.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)**

NOTE 12 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Imperial Community College District (District) administers a single-employer healthcare plan (Plan). For faculty members, the plan provides lifetime retiree health, dental, and vision benefits to eligible retirees and their dependents. Eligibility for retiree benefits requires retirement on or after a minimum age of 55 up to age 60 with at least fourteen years of eligible service. Retirement on or after age 61 up to age 64 requires age plus service to meet or exceed seventy-four while retirement on or after age 65 requires nine years of service. For faculty hired prior to July 1, 1983, retirement on or after age 55 requires only eight years of service.

For classified employees, the plan provides lifetime retiree health, dental, vision benefits to eligible retirees and their dependents. Eligibility for retiree benefits requires retirement on or after a minimum age of 50 with at least twelve years of eligible service. In addition, the retiree age plus years of service must be at least seventy to be eligible for retiree benefits. Lifetime benefits are provided for retirees and dependents with the exception of vision benefits which expire after the retiree reaches age 65. Membership of the plan consists of approximately 303 eligible active employees and 129 eligible retirees.

Contribution Information

The contribution requirements of Plan members and the District are established and amended by the District and the local California Service Employees Association (CSEA) for classified staff and the California Teachers Association (CTA) for faculty. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2011-12, the District contributed \$1,389,173 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost of the year, the amount actually contributed to the plan and changes in the District's net obligation to the Plan:

Annual required contribution	\$ 2,565,899
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>2,565,899</u>
Contribution made	<u>(1,389,173)</u>
Increase in net OPEB obligation	1,176,726
Net OPEB obligation, beginning of year	6,819,843
Net OPEB obligation, end of year	<u><u>\$ 7,996,569</u></u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)**

NOTE 12 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012 was as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contribution	Net OPEB Obligation
2012	\$ 2,565,899	54.1%	\$ 7,996,569

Funding Status and Funding Progress

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

Actuarial Methods and Assumptions

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

In the November 1, 2008 actuarial valuation, the actuarial cost method used was the entry age normal cost method. Under this method, an average age at hire and average retirement age are determined for eligible employees. Then, it is determined what amount needs to be expensed each year from hire to retirement to fully accrue the expected cost of retiree health benefits. This amount is the normal cost and is expressed as a level percentage of payroll where the amortization payment would increase each year based on covered payroll. The normal cost for a plan year is the expected increase in the accrued liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the employer were included in the valuation.

Medical cost trend rates were assumed to be 4% per year. The UAAL is being amortized at a level percentage of payroll method with the remaining amortization period at July 1, 2012 of 26 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)**

NOTE 13 - DEFERRED REVENUE

Deferred revenue consists of federal, state, and local revenues that have been received as of June 30, 2012 for the subsequent 2012-13 fiscal year. As of June 30, 2012 the District's deferred revenue balance consists of the following:

	<u>General Fund</u>
Federal Revenues	\$ 5,917
State Revenues	1,487,019
Local Revenues	774,448
Total	\$ 2,267,384

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Litigation

The District is periodically involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the District's basic financial statements.

Sick Leave

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees, therefore, are never paid for any sick leave balance at termination of employment or any other time. It is, therefore, not appropriate to accrue the value of accumulated sick leave.

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

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees of the district are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

STRS:

Plan Descriptions

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries.

Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board.

The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2012, 2011, and 2010 were \$1,401,185, \$1,491,637, and \$1,641,148 respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$824,455.

PERS:

Plan Descriptions

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by PERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law.

PERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the PERS annual financial report may be obtained from the PERS Executive Office, 400 P Street, Sacramento, California 95814.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the PERS Board of Administration.

The required employer contribution rate for fiscal year 2011-12 was 10.92% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to PERS for the fiscal year ending June 30, 2012, 2011, and 2010 were \$827,027, \$840,159, and \$702,737, respectively, and equal 100% of the required contributions for each year.

NOTE 16 - RISK MANAGEMENT

Description

The District's risk management activities are recorded in the General and Internal Service Funds. The purpose of the funds is to administer employee dental, property and liability, and workers' compensation insurance programs of the District.

The District is exposed to various risks 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) to account for and finance its uninsured risks of loss. The General and Internal Service Funds provide dental and vision coverage to employees.

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.

NOTE 17 - JOINT VENTURES (JOINT POWERS AGREEMENT)

The Imperial Community College District participates in two joint powers agreements (JPA's) with the Imperial County School Districts Property and Liability Authority (ICSDPL) and the Self-Insured Program for Imperial County (SIPIC). The relationship between the Imperial Community College District and the JPA's is such that the JPA's are not a component unit 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, 2012 was not available.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)**

NOTE 18 - COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

The following are funds having deficit balances or fund net assets at year-end, if any, along with remarks that address such deficits:

<u>Fund Name</u>	<u>Deficit Amount/Remarks</u>
None Reported	Not Applicable

NOTE 19 - FUNCTIONAL EXPENSES

Functional expenses for consolidated District governmental funds are as follows:

	<u>Salaries and Benefits</u>	<u>Operating Expenses</u>	<u>Capital Outlay</u>	<u>Other Outgo</u>	<u>Total</u>
Instructional Activities	\$ 16,070,097	\$ 828,836	\$ 173,544	\$ -	\$ 17,072,477
Academic Support	9,014,683	1,244,073	147,148	-	10,405,904
Student Services	2,718,519	295,525	4,831	-	3,018,875
Operations and Maintenance	1,917,675	4,208,342	5,894,352	-	12,020,369
Instructional Support	5,894,772	1,567,959	145,243	-	7,607,974
Community Services	21,953	53,186	8,263	-	83,402
Ancillary Services	819,814	391,171	138,906	-	1,349,891
Auxiliary Operations	479,046	-	-	-	479,046
Long-Term Debt	-	-	-	3,412,150	3,412,150
Student Aid	-	-	-	20,557,159	20,557,159
Totals	<u>\$ 36,936,559</u>	<u>\$ 8,589,092</u>	<u>\$ 6,512,287</u>	<u>\$ 23,969,309</u>	<u>\$ 76,007,247</u>

NOTE 20 - SUBSEQUENT EVENT

In December 2012, the District entered into the Imperial County 2012-13 Tax and Revenue Anticipation Notes (TRANS) in the amount of \$9,800,000. The notes mature on December 2, 2013 and were sold to supplement the District's cash flows and bear interest at a rate of 2.00%. Principal and interest on the notes will be paid through taxes, income, revenue, and cash receipts received by the District which are considered unrestricted revenues. The notes are secured by a pledge of unrestricted revenues to be received by the District equal to 100% of the principal amount of the notes in December 2, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

**IMPERIAL COMMUNITY COLLEGE DISTRICT
ORGANIZATION
JUNE 30, 2012**

The Imperial Community College District is located in the city of Imperial, California. The District presently operates one primary campus with one extended campus center within the County of Imperial. There have been no changes in the District's boundaries during the current year.

The Governing Board for the fiscal year ended June 30, 2012 was composed of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Rudy Cardenas Jr.	President	November 2012
Norma Sierra Galindo	Clerk	November 2014
Karla A. Sigmond	Board Member	November 2014
Romualdo J. Medina	Board Member	November 2012
Jerry D. Hart	Board Member	November 2012
Louis Wong	Board Member	November 2012
Steven M. Taylor	Board Member	November 2014

EXECUTIVE AND SENIOR ADMINISTRATION

Victor M. Jaime, Ed.D
Superintendent/President

John Lau
Vice President for Business Services

Kathy Berry
Vice President for Academic Services

Todd Finnell
Vice President for Information Technology

Janis Magno
Interim Vice President of Student Services

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
ANNUALIZED ATTENDANCE AS OF JUNE 30, 2012**

<u>Categories</u>	<u>*Reported And Audited Annual FTES</u>
A. Summer Intersession (Summer 2011 only)	
1. Noncredit	-
2. Credit	11.25
B. Summer Intersession (Summer 2012-Prior to July 1, 2012)	
1. Noncredit	-
2. Credit	279.49
C. Primary Terms (Exclusive of Summer Intersession)	
1. Census Procedure Courses	
(a) Weekly Census Contact Hours	5,061.58
(b) Daily Census Contact Hours	201.31
2. Actual Hours of Attendance Procedure Courses	
(a) Noncredit	56.69
(b) Credit	188.51
3. Independent Study/Work Experience	
(a) Weekly Census Contact Hours	313.41
(b) Daily Census Contact Hours	7.26
(c) Noncredit Independent Study	-
D. Total FTES	6,119.50
Supplemental Information (subset of above information)	
E. In-Service Training Courses (FTES)	8.33
F. Basic Skills Courses and Immigration Education	
Noncredit	14.30
Credit	1,399.28
<u>CCFS 320 Addendum</u>	
CDCP Noncredit FTES	10.41
Centers FTES	
(a) Noncredit	56.69
(b) Credit	6,062.81
Credit Student Headcount	
Fall Session-2011	8,073
Spring Session-2012	7,095
Gross Square Footage	
Existing Facilities	321,837

*Amended reported Annual FTES after audit adjustment of 8.75 FTES.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Form CCFS-311 to the audited financial statements based upon governmental accounting principles. Additional entries were made to comply with the GASB 34/35 requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

The fund balances for all funds as reported in the accompanying audited financial statements are in agreement with the fund balances reported by the District in their Annual Financial and Budget Report (CCFS-311).

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Pell Grant*	84.063	N/A	\$ 18,374,284
Upward Bound	84.047	N/A	617,349
Supplemental Educational Opportunity Grant*	84.007	N/A	276,742
Federal College Work Study*	84.033	N/A	352,406
Title V Project Atlas Grant	84.031	N/A	627,601
Student Support Services	84.042	N/A	423,295
Talent Search	84.044	N/A	346,609
CTE Transitions - Tech Prep	84.048	N/A	46,970
Pell Administration	84.063	N/A	25,950
Gear Up Project	84.334	N/A	11,870
Passed Through State of California:			
State Vocational Rehabilitation	84.126	27037	58,631
Passed Through California Department of Education:			
CTE-Title IC Career Tech	84.048	03577	313,584
Passed Through San Diego State University:			
Title V - Rural Hispanics	84.031	N/A	147,584
Total U.S. Department of Education			<u>21,622,875</u>
U.S. Department of Labor:			
Passed Through Imperial County Workforce:			
WIA Smog Tech Check	17.258	N/A	92,031
WIA Solar and Wind	17.258	N/A	161,502
WIA Diesel Mechanic	17.258	N/A	43,164
WIA EMT Program	17.258	N/A	163,999
WIA Dental Assistant	17.258	N/A	286,930
Passed Through Employment Development Department:			
Clean Energy - WIA Adult Program	17.258	76824	168,861
Total U.S. Department of Labor			<u>916,487</u>
U.S. National Science Foundation:			
Education and Human Resources	47.076	N/A	23,722
U.S. Department of Health and Human Services:			
Passed Through State Chancellors Office:			
Temporary Assistance For Needy Families*	93.558	N/A	61,616
U.S. Department of Housing and Urban Development			
Hispanic - SIAC Main/SIAC Extended	14.514	N/A	141,239
U.S. Department of Veterans Affairs:			
Veterans Education	64.116	N/A	1,428
U.S. Department of Agriculture:			
Nutrition Program	10.555	N/A	50,588
Total Expenditures of Federal Awards			<u><u>\$ 22,817,955</u></u>

*Indicates clustered program under OMB Circular A-133 supplement

The accompanying notes are an integral part of this schedule

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Basis of Presentation:

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 – PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*, requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with OMB Circular A-133 and state requirements.

B. Schedule of Workload Measures for State General Apportionment

Full Time Evaluation Students (FTES) is a measurement of the number of pupils attending classes of the District on a full time basis.

The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to the community college districts. This schedule provides information regarding the attendance of students throughout the District.

C. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FUNDING PROGRESS-BENEFITS PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
6/30/09	\$ -	\$ 33,206,084	\$ 33,206,084	\$ -	\$ 31,122,727	100%
6/30/10	\$ -	\$ 33,206,084	\$ 33,206,084	\$ -	\$ 30,896,889	100%
6/30/11	\$ -	\$ 33,206,084	\$ 33,206,084	\$ -	\$ 28,951,291	100%
6/30/12	\$ -	\$ 33,550,446	\$ 33,550,446	\$ -	\$ 27,308,903	100%

OTHER INDEPENDENT AUDITOR'S REPORTS

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

**Board of Trustees
Imperial Community College District
Imperial, California**

We have audited the financial statements of the business type activities and the discretely presented component unit of the Imperial Community College District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Imperial Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Imperial Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Imperial Community College District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2012-1, Finding 2012-2, and Finding 2012-3.

Imperial Community College District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Imperial Community College District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Trustees, the California Community College Chancellor's Office, the California Department of Education, the California Department of Finance, management, and county, state, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 7, 2012

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE REQUIREMENTS

**Board of Trustees
Imperial Community College District
Imperial, California**

We have audited the financial statements of the business type activities and the discretely presented component unit of the Imperial Community College District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the California Community College Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following state laws and regulations in accordance with Section 400 of the Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM):

- Salaries of Classroom Instructors (50 Percent Law)
- Gann Limit Calculation
- Students Actively Enrolled
- Residency Determination For Credit Courses
- Concurrent Enrollment of K-12 Students In Community College Credit Courses
- Apportionment for Instructional Service Agreements/Contracts
- State General Apportionment Funding System
- Open Enrollment
- Student Fees - Instructional and Other Materials
- Student Fees - Health Fees and Use of Health Fee Funds
- To Be Arranged Hours (TBA)
- Curriculum and Instruction
- CalWorks - Use of State and Federal TANF Funding
- Extended Opportunity Programs and Services (EOPS)/Cooperative Agencies Resources for Education (CARE)
- Disabled Student Programs and Services (DSPS)

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, Imperial Community College District complied in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the California Community College Chancellor's Office *Contracted District Audit Manual* and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2012-3.

Imperial Community College District's response to the finding identified in our audit is described in the accompanying Schedule of Finding and Questioned Costs. We did not audit Imperial Community College District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the District's management, the Board of Trustees, the California Community College Chancellor's Office, the California Department of Education, and the California Department of Finance, and is not intended to be and should not be used by anyone other than those specified parties.

Wilkinson *Hadley King & Co., LLP*

El Cajon, California
December 7, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Board of Trustees
Imperial Community College District
Imperial, California**

Compliance

We have audited the Imperial Community College District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 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, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements. In our opinion, Imperial Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Imperial Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Trustees, the California Community College Chancellor's Office, the California Department of Education, the California Department of Finance, management, and county, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson *Hadley* *King & Co., LLP*

El Cajon, California
December 7, 2012

FINDINGS AND RECOMMENDATIONS

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012
(Continued)**

Section II - Financial Statement Findings

**Finding 2012-1
District Expenditures**

Criteria/Specific Requirements

Determine whether effective proper controls are in place over District expenditures to ensure all disbursements paid are properly documented, safeguarded under proper segregation of duties, reflect proper approval, and all transaction procedures are being followed.

Condition

In our review of expenditures we noted that the District has an electronic signature system for approval of all purchase orders. The layers of approval required for purchase orders is dependent on the individual initiating the purchase order; however, the purchase order does require one to three authorizations. The District has an “emergency approval” authorizer for situations when the appropriate parties required to authorize transactions are not available. This authorizer can be accessed by three different employees of the District. Currently, there is no method to identify the individual who is actually authorizing the expenditures and one person using this log-in could potentially override all three required authorizations. Also, the District does not have a system in place to review the “emergency approvals”.

Recommendation

Implement procedures to create a separate log-in for each individual with authority to approve purchase orders for proper identification purposes and implement a system to review all emergency approvals of expenditures by upper level management

District Response

Imperial Valley College has created three separate Emergency Approver queues with unique passwords for each one. The three queues are assigned as follows: Approver 1-Carlos Fletes, Approver 2-Mary Carter and Approver 3-Betty Kakiuchi. The college also will have the ability to generate a report showing every purchase order that was approved by each Emergency Approver. Also, the Director of Fiscal Services will share such reports with the Vice President for Business Services once a month.

**Finding 2012-2
Deposits – Fiduciary Funds**

Criteria/Specific Requirement

Determine whether effective proper controls are in place over fiduciary deposits to ensure all deposits are properly documented, safeguarded under proper segregation of duties, reflect proper approval, and all transaction procedures are being followed to mitigate the possible risk of misappropriation of assets.

Condition

In review of fiduciary deposits, we noted the District cash transmittal form does not include a signature line for the preparer or verifier of funds received. In addition, in our review of deposits for campus organizations, we noted concession receipts for basketball were collected for games in December but were not deposited until March. Also, the deposit form was prepared by the basketball coach instead of the individual person working in the concession stand and there were no supporting documents or reconciliations supporting the amounts collected.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012
(Continued)**

Recommendation

The District should implement procedures and update their cash collection forms for fiduciary funds to ensure there are signature lines for the individual collecting the funds and for the individual counting and verifying the funds collected. In addition, ensure basketball receipts and other event sales are collected and deposited on a timely basis, preferably within one week of the scheduled game or event. Cash transmittal forms for basketball concessions should be completed, documented, and reconciled by the individual selling the concessions and receiving the money.

District Response

Imperial Valley College has already modified the deposit form to include the preparer signature and the verifier signature at the department level. The form also requires that the deposit is verified and signed by a business office staff member.

The Athletic Director will have the person working the concession stand (food and/or ticket stand) reconcile the receipts for every game and the Athletic Director will submit funds and required documentation to the business office on the next business day following each game.

Section III – Federal Award Findings and Questioned Costs

No matters reported

Section IV – State Award Findings and Questioned Costs

Finding 2012-3

EOPS and CARE Programs

Criteria/Specific Requirement

Determine that expenditures for Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) funds provide services that are specifically designed to supplement the District's existing support programs and to help eligible students complete their educational goals. Also, ensure student eligibility has been properly verified in addition to holding the required committee meetings during the current academic year.

Condition

In our review of the state compliance requirements for the EOPS and CARE programs, we noted (1) Student eligibility documents are being shredded immediately after the student graduates, transfers out of the program, or is dropped due to non-compliance; therefore, records are not being retained for audit during the current academic fiscal year. It was determined that approximately 245 student records, which included eligibility documents, out of an unduplicated count of 985 students were shredded prematurely and not available for audit; (2) In a representative sample of twenty students tested, two students did not have a proper EOPS education plan on file and eleven students did not have a proper EOPS mutual responsibility contract on file; (3) In discussion with the projects director, it was determined that the EOPS Advisory Committee and the CARE Advisory Committee did not hold the required annual meetings for the current academic fiscal year.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012
(Continued)**

Recommendation

(1) Retain all EOPS and CARE student records including eligibility documents for the current academic fiscal year to ensure they are available for audit. Review CARE and EOPS program guidelines to ensure all eligibility records are being retained for the minimum term required. (2) Review and monitor student eligibility documents for the EOPS and CARE programs to ensure all required documents are being completed and kept on file. Each EOPS student must have an application on file, a student education plan, and a mutual responsibility contract. (3) Require the EOPS Advisory Committee to meet at least once a year and the CARE Advisory Committee to meet at least twice a year and document the meetings through appropriate meeting minutes and other agenda.

District Response

(1) All EOPS and CARE student records including eligibility documents are being retained for the current academic year and will be made available for the minimum time frame required. (2) All files for EOPS and CARE are being monitored to ensure that all required eligibility documents are being kept on file. We will make sure that each EOPS student has an application, a student education plan and a mutual responsibility contract on file. (3) Advisory committee meeting for EOPS will take place at least once a year and the CARE Advisory Committee will meet at least twice a year and all meetings will be documented via appropriate meeting agendas and meetings.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
JUNE 30, 2012**

<u>Finding and Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no audit findings noted in the prior year.		