

**IMPERIAL COMMUNITY COLLEGE DISTRICT**

**IMPERIAL COUNTY**

**IMPERIAL, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2014**

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
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JUNE 30, 2014**

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## **INTRODUCTORY SECTION**

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
INTRODUCTION  
JUNE 30, 2014**

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**

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and the discretely presented component unit of Imperial Community College District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *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 from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Imperial Community College District as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principles*

As described in Note 1 to the financial statements, in 2014, Imperial Community College District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and schedule of funding progress for OPEB benefits 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Imperial Community College District's basic financial statements. The 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2014 on our consideration of Imperial Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Imperial Community College District's internal control over financial reporting and compliance.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
December 29, 2014



**IMPERIAL COMMUNITY COLLEGE DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
(Unaudited)  
June 30, 2014**

**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 2013-14 was 6,625.

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, 2014. Please read it in conjunction with the financial statements and notes thereto which follow this section.

**FINANCIAL HIGHLIGHTS**

During 2013-14, total reported full-time equivalent students increased approximately 9%. This was possible in part by 09-10 70 FTES workload restoration and 502 FTES stability restoration. 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 \$27 million state general apportionment, including \$5 million from Prop 30 proceeds.

**Trend of Full Time Students as Reported on the Annual Report**

	09-10	10-11	11-12	12-13	13-14
FTES	7,132	7,290	6,119	6,053	6,625

**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 Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows for the District as a whole; and
- Notes to the financial statements.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
(Unaudited)  
June 30, 2014**

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

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

Net position is 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 Restricted - Expendable which represents expenditures by the District, that 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 Position that is available to the District for any lawful purpose. Although unrestricted, the District's Governing Board may place internal restrictions on the balance, but it retains the power to change, remove, or modify such restrictions.

The ***Statement of Revenues, Expenses and Changes in Net Position*** represent 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 position, as indicated on the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. 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.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
(Unaudited)  
June 30, 2014**

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. 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 Position. The net cash reconciliation is shown in the expanded version of the Statement of Cash Flows in the financial statements.

The Statement of Net Position as of June 30, 2014, is summarized below:

**Statement of Net Position**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Change</u>
Current assets	16,359,226	36,110,121	(19,750,895)
Capital assets	89,936,111	81,128,678	8,807,433
<b>Total Assets</b>	<u>106,295,337</u>	<u>117,238,799</u>	<u>(10,943,462)</u>
Current liabilities	11,860,668	19,861,226	(8,000,558)
Long-term liabilities	93,118,107	91,116,058	2,002,049
<b>Total Liabilities</b>	<u>104,978,775</u>	<u>110,977,284</u>	<u>(5,998,509)</u>
Net position			
Invested in capital assets net of related debt	0	2,682,223	(2,682,223)
Restricted - Expendable	147,318	0	147,318
Unrestricted	1,169,244	3,579,292	(2,410,048)
<b>Total Net Position</b>	<u>1,316,562</u>	<u>6,261,515</u>	<u>(4,944,953)</u>
<b>Total Liabilities and Net Position</b>	<u>106,295,337</u>	<u>117,238,799</u>	<u>(10,943,462)</u>

Total current liabilities had a net decrease of \$8 million in part due to normal operating activities and long term debt increased by \$2 million in part due to the General Obligation Bonds.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
(Unaudited)  
June 30, 2014**

The Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2014, is summarized below:

**Statement of Revenues, Expenses and Changes in Net Position**

	June 30, 2014	June 30, 2013	Change
Operating revenues	30,130,977	33,062,476	(2,931,499)
Operating expenses	70,186,847	66,414,726	(3,772,121)
<b>Deficit before depreciation and non-operating income and expense</b>	(40,055,870)	(33,352,250)	(6,703,620)
Depreciation	(2,497,144)	(1,997,068)	(500,076)
<b>Deficit before non-operating income and expense</b>	(42,553,014)	(35,349,318)	(7,203,696)
Non-operating income and expense, net	37,608,061	34,682,830	2,925,231
<b>Increase (decrease) in net position</b>	(4,944,953)	(666,488)	(4,278,465)
Net position (deficit), beginning of year	6,261,515	(11,938,780)	18,200,295
Restatement of Beginning Net Position (GASB 62)	-	18,866,783	(18,866,783)
Net Position (Deficit), end of year	1,316,562	6,261,515	(4,944,953)

**Operating Revenues**

The Changes in Net Position comparison presents the District's results of operation and shows a decrease of \$4,944,953. The total ending net position for the year is \$1,316,562. Operating revenues over operating expenses decreased by \$6,703,620. State apportionment and property taxes are recorded in non-operating income. Net non-operating income and expense increased by \$2,925,231.

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 54.40% 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.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
(Unaudited)  
June 30, 2014**

State apportionment is generated based on the FTES reported to the state by the District. The District has been able to fully restore FTES lost in the last two years.

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.

The Statement of Cash Flows for the year ended June 30, 2014 is summarized below:

**Statement of Cash Flows**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Change</u>
Operating activities	(44,184,011)	(26,877,048)	(17,306,963)
Non-capital financing activities	37,522,231	34,513,130	3,009,101
Capital and related activities	(8,750,092)	(11,790,985)	3,040,893
Investing activities	<u>85,830</u>	<u>169,700</u>	<u>(83,870)</u>
<b>Net Increase (decrease) in Cash and Cash Equivalents</b>	(15,326,042)	(3,985,203)	(11,340,839)
Cash Balance, Beginning of Year	<u>24,667,346</u>	<u>28,652,549</u>	<u>(3,985,203)</u>
<b>Cash Balance, End of Year</b>	<u><u>9,341,304</u></u>	<u><u>24,667,346</u></u>	<u><u>(15,326,042)</u></u>
<b>Cash Used by Operating Activities</b>	<u><u>(44,184,011)</u></u>	<u><u>(26,877,048)</u></u>	<u><u>(17,306,963)</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 Position and Changes in Fiduciary Net Position. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
(Unaudited)  
June 30, 2014**

**CAPITAL ASSETS**

As of June 30, 2014, the District had over \$109.7 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 meets the capitalization threshold recommended by GASB 35. These assets have accumulated depreciation of \$19.7 million, leaving a net asset amount of \$90 million.

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

	<u>June 30, 2014</u>	<u>June 30, 2013*</u>	<u>Change</u>
Land & Improvements	160,000	175,900	(15,900)
Work In Progress	23,721,505	15,543,022	8,178,483
Buildings & Improvements	63,812,916	63,178,377	634,539
Equipment	<u>2,241,690</u>	<u>2,231,379</u>	<u>10,311</u>
Total	<u>89,936,111</u>	<u>81,128,678</u>	<u>8,807,433</u>

*\*Includes restatement of capitalized assets due to implementation of GASB 62*

**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 attain 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 has 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 POSITION  
JUNE 30, 2014**

	District	Imperial Valley College Foundation
<b>ASSETS</b>		
Current assets:		
Cash in county treasury	\$ 8,639,954	\$ -
Cash in banks	70,664	160,851
Cash with fiscal agent	610,469	-
Investments	-	1,737,760
Revolving cash	20,217	-
Accounts receivable, net	6,996,206	-
Stores inventory	21,716	-
Total current assets	16,359,226	1,898,611
Non-current assets:		
Capital assets, net of accumulated depreciation	89,936,111	15,000
<b>TOTAL ASSETS</b>	<b>\$ 106,295,337</b>	<b>\$ 1,913,611</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 1,842,716	\$ -
Temporary loans	4,700,000	-
Unearned revenue	2,135,153	-
Compensated absences	695,363	-
Bonds payable - current portion	1,762,436	-
COPS payable - current portion	725,000	-
Total current liabilities	11,860,668	-
Non-current liabilities:		
Bonds payable	76,666,002	-
Bond premium	441,934	-
Accreted interest	4,924,155	-
Net OPEB obligation	11,086,016	-
Total non-current liabilities	93,118,107	-
<b>TOTAL LIABILITIES</b>	<b>104,978,775</b>	<b>-</b>
<b>NET POSITION</b>		
Restricted - expendable	147,318	369,192
Restricted - non expendable	-	1,360,070
Unrestricted	1,169,244	184,349
<b>TOTAL NET POSITION</b>	<b>1,316,562</b>	<b>1,913,611</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 106,295,337</b>	<b>\$ 1,913,611</b>

See the accompanying notes to the financial statements



**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**JUNE 30, 2014**

	District	Imperial Valley College Foundation
<b>OPERATING REVENUES</b>		
Tuition and fees	\$ 2,149,470	\$ -
Grants and contracts, non-capital:		
Federal	21,477,575	-
State	5,952,839	-
Local	428,498	811,941
Sales and Commissions	122,595	-
<b>TOTAL OPERATING REVENUES</b>	<b>30,130,977</b>	<b>811,941</b>
<b>OPERATING EXPENSES</b>		
Academic salaries	19,071,914	-
Classified salaries	8,663,933	115,857
Employee benefits	11,804,411	14,969
Supplies, materials and other operating expenses	6,125,508	83,630
Financial aid	20,184,912	258,184
Utilities	802,038	-
Interest and fiscal charges	3,534,131	-
Depreciation	2,497,144	-
<b>TOTAL OPERATING EXPENSES</b>	<b>72,683,991</b>	<b>472,640</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(42,553,014)</b>	<b>339,301</b>
<b>NON-OPERATING REVENUES</b>		
State apportionments, non-capital	27,708,347	-
Local property taxes	8,015,710	-
State taxes and other revenue	1,798,174	-
Interest and investment income	85,830	40,769
Net realized gain on investments	-	26,142
Net unrealized gain on investments	-	81,711
<b>TOTAL NON-OPERATING REVENUES</b>	<b>37,608,061</b>	<b>148,622</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>(4,944,953)</b>	<b>487,923</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>6,261,515</b>	<b>1,425,688</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 1,316,562</b>	<b>\$ 1,913,611</b>

See the accompanying notes to the financial statements

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
STATEMENT OF CASH FLOWS  
JUNE 30, 2014**

	District	Imperial Valley College Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 2,149,470	\$ -
Federal grants and contracts	21,477,575	-
State grants and contracts	5,952,839	-
Local grants and contracts	428,498	811,941
Sales and commissions	122,595	-
Payments to suppliers	(14,589,818)	(83,630)
Payments to/on behalf of employees	(39,540,258)	(130,826)
Payments to/on behalf of students	(20,184,912)	(258,184)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(44,184,011)</b>	<b>339,301</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State apportionment and other receipts	29,506,521	-
Property taxes	8,015,710	-
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>37,522,231</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Proceeds from bond issuance	17,089,003	-
Purchase of capital assets	(6,368,998)	-
Principal paid on capital debt	(15,935,956)	-
Interest paid on capital debt	(3,534,141)	-
<b>NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES</b>	<b>(8,750,092)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	-	(367,984)
Interest on investments	85,830	40,769
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>85,830</b>	<b>(327,215)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(15,326,042)</b>	<b>12,086</b>
<b>CASH BALANCE, BEGINNING OF YEAR</b>	<b>24,667,346</b>	<b>148,765</b>
<b>CASH BALANCE, END OF YEAR</b>	<b>\$ 9,341,304</b>	<b>\$ 160,851</b>
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (42,553,014)	\$ 487,923
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	2,497,144	-
Net Unrealized Gain On Investments	-	(148,622)
Changes in assets and liabilities:		
Receivables, net	4,423,807	-
Stores inventory	1,046	-
Accounts payable	(3,406,639)	-
Temporary loans	(5,100,000)	-
Unearned revenue	41,007	-
Compensated absences	(87,362)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (44,184,011)</b>	<b>\$ 339,301</b>

See the accompanying notes to the financial statements

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2014**

	Associated Students Trust	Scholarship and Loan Trust	Campus Organizations	Representation Fee Trust	Totals
<b>ASSETS</b>					
Cash on hand and in banks	132,303	10,787	93,136	-	236,226
Accounts receivable	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>132,303</u>	<u>10,787</u>	<u>93,136</u>	<u>-</u>	<u>236,226</u>
<b>LIABILITIES AND NET POSITION</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	-	-	-	-	-
Due to governmental funds	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>					
Restricted	-	10,787	93,136	-	103,923
Unrestricted	132,303	-	-	-	132,303
<b>TOTAL NET POSITION</b>	<u>132,303</u>	<u>10,787</u>	<u>93,136</u>	<u>-</u>	<u>236,226</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>132,303</u>	<u>10,787</u>	<u>93,136</u>	<u>-</u>	<u>236,226</u>

See the accompanying notes to the financial statements

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**JUNE 30, 2014**

	Associated Students Trust	Scholarship and Loan Trust	Campus Organizations	Representation Fee Trust	Totals
<b>REVENUES</b>					
Local revenues	\$ 133,465	\$ 345,111	\$ 100,754	\$ 19,520	\$ 598,850
Interest and investment income	19	58	22	-	99
<b>TOTAL REVENUES</b>	<u>133,484</u>	<u>345,169</u>	<u>100,776</u>	<u>19,520</u>	<u>598,949</u>
<b>EXPENDITURES</b>					
Classified salaries	6,287	-	-	-	6,287
Scholarships and loans	-	344,961	-	-	344,961
Other operating expenses	80,047	-	92,239	19,520	191,806
Capital outlay	14,122	-	-	-	14,122
<b>TOTAL EXPENDITURES</b>	<u>100,456</u>	<u>344,961</u>	<u>92,239</u>	<u>19,520</u>	<u>557,176</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>33,028</u>	<u>208</u>	<u>8,537</u>	<u>-</u>	<u>41,773</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	99,275	10,579	84,599	-	194,453
<b>NET POSITION, END OF YEAR</b>	<u>\$ 132,303</u>	<u>\$ 10,787</u>	<u>\$ 93,136</u>	<u>\$ -</u>	<u>\$ 236,226</u>

See the accompanying notes to the financial statements

**NOTES TO FINANCIAL STATEMENTS**

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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, 2014**  
**(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, 2014**  
**(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.

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 Position. 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, 2014  
(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.

Capitalized interest is included in the fixed assets cost under the provision of GASB 62 as governmental entities that report under the Business-Type-Activities (BTA) model are to include capitalized interest in fixed asset costs.

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 Position

Net investment in fixed assets: 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 position - expendable: Restricted expendable net position 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 position - nonexpendable: Nonexpendable restricted net position 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 net position-nonexpendable.

Unrestricted net position: Unrestricted net position 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.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

7. Unearned Revenue

Unearned 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 the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

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 position. 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.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 position at July 1, 2013 was decreased \$13,307,261 for the cumulative effect of these changes on years prior to fiscal year ended June 30, 2014.

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. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65. At June 30, 2014 the District did not have any Deferred Inflows or Deferred Outflows of Resources.

M. Changes in Accounting Policies

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. The District has implemented the provisions of this Statement for the year ended June 30, 2014.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**NOTE 2 - CASH AND INVESTMENTS**

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Imperial County Treasury as part of the common investment pool (\$8,639,954 as of June 30, 2014). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$8,667,769. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investments in the pool is reported in the accounting financial statements as amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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.

Cash on Hand, in Banks, and in Revolving Funds

Cash balances on hand and in banks (\$306,890 as of June 30, 2014) and in the revolving fund (\$20,217) are insured up to \$250,000 by the Federal Depository Insurance Corporation.

Investments

The District's investments at June 30, 2014 are shown below:

<u>Investment or Investment Type</u>	<u>Average Days to Maturity</u>	<u>Amounts Reported</u>	<u>Fair Value</u>
Imperial County Pooled Investment Funds	737	\$ 8,639,954	\$ 8,667,769
Money Market Funds	<30	\$ 350,338	\$ 350,338
First American Treasury Obligations	<30	\$ 260,131	\$ 260,131

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only 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. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The Imperial County Investment Pool is rated AA+ by Standard & Poors.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

California Government Code requires that a financial institution secure deposits made by State or Local Governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by Federal Home Loan Bank of San Francisco having value of 105% of the secured deposits.

As of June 30, 2014, the District's bank balances (including revolving cash) of \$327,107 was fully insured by the FDIC and was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of the loss attributed to the magnitude of a government's investment in a single issuer.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

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 "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, 2014 consists of the following:

Federal	\$ 746,994
State Apportionment	4,916,384
Other State	141,833
Lottery	409,721
Local	771,246
Interest	<u>10,028</u>
Total	<u>\$ 6,996,206</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**NOTE 4 - ACCOUNTS PAYABLE**

Accounts payable balances at June 30, 2014 consists of the following:

Vendor payables	\$ 513,443
Salaries and benefits	143,131
State apportionment	130,904
Financial aid	458,512
Accrued interest/other	<u>596,726</u>
 Total	 <u>\$ 1,842,716</u>

**NOTE 5 - CAPITAL ASSETS**

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

	<u>Balance July 1, 2013</u>	<u>Net Change in Capital Assets</u>	<u>Balance June 30, 2014</u>
<u>Capital Assets</u>			
Land	\$ 175,900	\$ (15,900)	\$ 160,000
Site Improvements	15,339,997	280,771	15,620,768
Buildings	62,826,992	2,392,968	65,219,960
Equipment	5,030,370	(28,118)	5,002,252
Work in Progress	<u>15,543,022</u>	<u>8,178,483</u>	<u>23,721,505</u>
Total Cost	98,916,281	10,808,204	109,724,485
 <u>Accumulated Depreciation</u>			
Site Improvements	(2,835,778)	(757,464)	(3,593,242)
Buildings	(12,152,834)	(1,281,736)	(13,434,570)
Equipment	<u>(2,798,991)</u>	<u>38,429</u>	<u>(2,760,562)</u>
Total Accumulated Depreciation	<u>(17,787,603)</u>	<u>(2,000,771)</u>	<u>(19,788,374)</u>
 Net Capital Assets	 <u>\$ 81,128,678</u>	 <u>\$ 8,807,433</u>	 <u>\$89,936,111</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.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**NOTE 7 - BONDS PAYABLE (Continued)**

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.

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 \$9,405,512 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.



**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**NOTE 7 - BONDS PAYABLE (Continued)**

In March 2014, the District issued \$16,642,939 of 2010 Election, Series 2014A, General Obligation Bonds in order to finance certain college facilities. The issue consisted of (a) \$3,610,000 Current Interest Term Bonds with an interest rate of 5.00% due August 1, 2041, (b) \$7,980,000 Current Interest Bonds with an interest rate of 4.625% due August 1, 2041, (c) \$1,965,733 Capital Appreciation Bonds with interest rates ranging from 3.95% to 7.99% due August 1, 2016 through August 2034, and (d) \$3,087,206 Convertible Capital Appreciation Bonds with interest rates ranging from 4.50% to 5.10% due August 2029 through August 2037.

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

The outstanding balance of \$14,000,956 on the 2010 General Obligation Bond Anticipation Notes matured August 1, 2014 and was paid from net proceeds deposited into the escrow deposit and trust account established on the settlement date, March 19, 2014.

The outstanding bonded debt of the District as of June 30, 2014 is as follows:

<u>Date of Issuance</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Amounts Outstanding July 1, 2013</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Amounts Outstanding June 30, 2014</u>
2002	1.4%-5.0%	2017	\$ 3,370,000	\$ 1,345,000	\$ -	\$ 235,000	\$ 1,100,000
2005	3.3%-7.0%	2029	24,500,000	20,805,000	-	705,000	20,100,000
2006	4.0%-4.3%	2031	13,285,473	12,010,473	-	255,000	11,755,473
2007	4.0%-7.0%	2032	11,915,816	10,895,816	-	370,000	10,525,816
2009	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
2014	3.5%-7.99%	2038	16,642,939	-	16,642,939	-	16,642,939
Totals			<u>\$ 88,018,438</u>	<u>\$ 63,360,499</u>	<u>\$ 16,642,939</u>	<u>\$ 1,575,000</u>	<u>\$ 78,428,438</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**NOTE 7 - BONDS PAYABLE (Continued)**

Debt service requirements on lease revenue bonds and general obligation bonds payable outstanding as of June 30, 2014 is as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,762,436	\$ 1,763,248	\$ 3,525,684
2016	2,389,073	2,391,596	4,780,669
2017	2,452,428	2,435,239	4,887,667
2018	2,708,191	2,397,738	5,105,929
2019	1,882,264	3,261,341	5,143,605
2020-2024	12,485,610	16,695,148	29,180,758
2025-2029	15,774,120	19,005,067	34,779,187
2030-2034	12,350,968	30,167,777	42,518,745
2035-2039	10,334,012	34,740,124	45,074,136
2040-2042	16,289,336	4,239,599	20,528,935
	<u>\$ 78,428,438</u>	<u>\$ 117,096,877</u>	<u>\$ 195,525,315</u>

Note: Amounts represented in the repayment schedule for accreted interest are reflective of 100% of amounts to be repaid. Amounts represented as accreted interest in the debt summary are reflective of amounts that have accrued as of June 30, 2014.

Accreted interest is the process of systematically increasing the carrying amount of capital appreciation bonds to their estimated value at the maturity date of the bond. The district inputs the effective interest rate, using the present value, the face value, and the period of the bond and multiplies the effective interest rate by the book value of the debt at the end of the period.

**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 outstanding balance of \$14,000,956 on the 2010 General Obligation Bond Anticipation Notes matured August 1, 2014 and was paid from the net proceeds of the 2014A General Obligation Bonds which were deposited into the escrow deposit and trust account established on the settlement date, March 19, 2014.

Date of Issuance	Interest Rate	Maturity Date	Amounts Outstanding Issue	Amounts Outstanding July 1, 2013	Issued Current Year	Redeemed Current Year	Amounts Outstanding June 30, 2014
2010	4.62%	2014	<u>\$ 14,000,956</u>	<u>\$ 14,000,956</u>	<u>-</u>	<u>\$ 14,000,956</u>	<u>-</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**NOTE 9 – BOND PREMIUM**

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond. The premium is amortized over the life of the bond using the straight line method.

The following bonds were issued at a premium resulting in effective interest as follows:

	<u>2014A GOB</u>
Total Interest	19,800,232
Less Bond Premium	<u>(446,064)</u>
Net Interest	<u>19,354,168</u>
Par Amount of Bonds	16,642,939
Periods	27
Effective Interest Rate	4.30%

**NOTE 10 - 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>Original Issue</u>	<u>Amounts Outstanding July 1, 2013</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Amounts Outstanding June 30, 2014</u>
2004	2.5%-4.9%	2014	<u>\$ 3,500,000</u>	<u>\$ 1,085,000</u>	<u>\$ -</u>	<u>\$ 360,000</u>	<u>\$ 725,000</u>

Debt service requirements on COPS outstanding as of June 30, 2014 is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	<u>\$ 725,000</u>	<u>\$ 17,581</u>	<u>\$ 742,581</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**NOTE 11 - GENERAL LONG-TERM DEBT**

Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 2014 is shown below:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Amount Due</u> <u>In One Year</u>
Bonds Payable	\$ 63,360,499	\$ 16,642,939	\$ 1,575,000	\$ 78,428,438	\$ 1,762,436
Bond Premium	-	446,064	4,130	441,934	-
Bond Anticipation Notes	14,000,956	-	14,000,956	-	-
COPS Payable	1,085,000	-	360,000	725,000	725,000
Accreted Interest	5,675,995	1,742,204	2,494,044	4,924,155	-
Net OPEB Obligation	<u>8,928,608</u>	<u>3,563,326</u>	<u>1,405,918</u>	<u>11,086,016</u>	<u>-</u>
Totals	<u>\$ 93,051,058</u>	<u>\$ 22,394,533</u>	<u>\$ 19,840,048</u>	<u>\$ 95,605,543</u>	<u>\$ 2,487,436</u>

**NOTE 12 - TEMPORARY LOANS**

In March 2014, the District entered into the Imperial County 2013-14 Mid-Year Tax and Revenue Anticipation Notes (TRANS) in the amount of \$4,700,000. The notes mature on February 27, 2015 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 2013-14 fiscal year, an amount equal to 100% of the principal and interest and on the notes at maturity. Total repayment includes \$4,700,000 in principal and estimated interest in the amount of \$90,344. Total temporary loan balance at June 30, 2014 is \$4,700,000 in principal.

**NOTE 13 - UNEARNED REVENUE**

Unearned revenue consists of federal, state, and local revenues that have been received as of June 30, 2014 for the subsequent 2014-15 fiscal year. As of June 30, 2014 the District's unearned revenue balance consists of the following:

	<u>General Fund</u>
Federal Revenues	\$ 22,972
State Revenues	1,054,962
Parking Fees	677,483
Other Local Revenues	<u>379,736</u>
Total	<u>\$ 2,135,153</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**NOTE 14 - 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. Certificated employees hired after June 30, 2012 are not eligible for District-paid retiree health benefits.

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. Classified employees hired after June 30, 2010 are not eligible for retiree health benefits.

Membership of the plan consists of approximately 278 eligible active employees and 186 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 2013-14, the District contributed \$1,405,918 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.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**NOTE 14 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

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	\$ 3,563,326
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>3,563,326</u>
Contribution made	<u>(1,405,918)</u>
Increase in net OPEB obligation	2,157,408
Net OPEB obligation, beginning of year	<u>8,928,608</u>
Net OPEB obligation, end of year	<u>\$ 11,086,016</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 was as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contribution	Net OPEB Obligation
2012	\$ 2,565,899	54.1%	\$ 7,996,959
2013	\$ 2,565,899	63.7%	\$ 8,928,608
2014	\$ 3,563,326	39.4%	\$ 11,086,016

**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.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**NOTE 14 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

In the September 1, 2013 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, 2014 of 24 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.

**NOTE 15 - 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 16 - 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, 2014  
(Continued)**

**NOTE 16 - 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 2013-14 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, 2014, 2013, and 2012 were \$1,440,201, \$1,346,215, and \$1,401,185 respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$907,923.

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, 2014  
(Continued)**

**NOTE 16 - 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 2013-14 was 11.442% 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, 2014, 2013, and 2012 were \$874,142, \$798,267, and \$827,027, respectively, and equal 100% of the required contributions for each year.

**NOTE 17 - 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 18 - JOINT VENTURES (JOINT POWERS AGREEMENTS)**

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, 2014 was not available.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**NOTE 19 – CONSTRUCTION COMMITMENTS**

As of June 30, 2014, the district had the following commitments with respect to capital projects:

<u>Construction in process</u>	<u>Commitment</u>	<u>Expected Date of Final Completion</u>
Career Tech Building	\$ 980,097	January 2015
500 Building Demolition	\$ 241,000	December 2014
Golf Cart Storage Yard	\$ 61,900	January 2015

**NOTE 20 - 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 Position of Individual Funds

The following are funds having deficit balances or fund net position 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 21 - FUNCTIONAL EXPENSES**

Functional expenses for consolidated District governmental funds as of June 30, 2014 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	\$ 15,963,219	\$ 549,054	\$ 175,350	\$ -	\$ 16,687,623
Academic Support	9,477,180	1,272,080	93,978	-	10,843,238
Student Services	2,843,458	367,223	17,856	-	3,228,537
Operations and Maintenance	1,927,690	2,094,101	10,832,571	17,581	14,871,943
Institutional Support	5,719,745	1,441,077	451,121	-	7,611,943
Community Services	15,285	31,576	6,166	-	53,027
Ancillary Services	1,050,778	417,765	32,571	-	1,501,114
Auxiliary Operations	472,857	-	-	-	472,857
Long-Term Debt	-	-	-	3,756,231	3,756,231
Student Aid	-	-	-	20,184,912	20,184,912
<b>Totals</b>	<u>\$ 37,470,212</u>	<u>\$ 6,172,876</u>	<u>\$ 11,609,613</u>	<u>\$ 23,958,724</u>	<u>\$ 79,211,425</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**NOTE 22 – SUBSEQUENT EVENTS**

New Accounting Pronouncement

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting to Pensions, an amendment of GASB Statement 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50 Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions are also addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**NOTE 22 – SUBSEQUENT EVENTS (Continued)**

Employers are classified in one of the following categories for the purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans - pension plans in which pensions are provided to the employees of only one employer (as defined by this statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multi-employer pension plans - pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans - pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefit of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for the 2014-15 fiscal year.

In November 2013, the GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68. The objectives of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 22 – SUBSEQUENT EVENTS (Continued)**

At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflow of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

GASB Statement No. 71 amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this statement are required to be applied with the provisions of Statement No. 68 which is effective for the 2014-15 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
ORGANIZATION  
JUNE 30, 2014**

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

The Governing Board for the fiscal year ended June 30, 2014 was composed of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Karla A. Sigmond	President	November 2014
Romualdo J. Medina	Clerk	November 2016
Rudy Cardenas, Jr.	Board Member	November 2016
Jerry D. Hart	Board Member	November 2016
Juanita Salas	Board Member	November 2014
Louis Wong	Board Member	November 2016
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

Nicholas Akinkuoye  
Vice President for Academic Services

Todd Finnell  
Vice President for Student Services, Technology, and Research

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT  
ANNUALIZED ATTENDANCE AS OF JUNE 30, 2014**

<u>Categories</u>	<u>Reported And Audited Annual FTES</u>
A. Summer Intersession (Summer 2013 only)	
1. Noncredit	-
2. Credit	377.85
B. Summer Intersession (Summer 2014-Prior to July 1, 2014)	
1. Noncredit	-
2. Credit	322.70
C. Primary Terms (Exclusive of Summer Intersession)	
1. Census Procedure Courses	
(a) Weekly Census Contact Hours	5,361.35
(b) Daily Census Contact Hours	188.88
2. Actual Hours of Attendance Procedure Courses	
(a) Noncredit	45.51
(b) Credit	171.76
3. Alternative Attendance Accounting Procedure	
(a) Weekly Census Procedure Courses	155.00
(b) Daily Census Procedure Courses	1.95
(c) Noncredit Independent Study	-
	-
D. Total FTES	6,625.00
Supplemental Information (subset of above information)	
E. In-Service Training Courses (FTES)	12.90
F. Basic Skills Courses and Immigration Education	
Noncredit	16.27
Credit	1,273.49
<u>CCFS 320 Addendum</u>	
CDCP Noncredit FTES	12.21
Centers FTES	
(a) Noncredit	45.51
(b) Credit	6,579.49
Credit Student Headcount	
Fall Session-2013	7,944
Spring Session-2014	7,654
Gross Square Footage	
Existing Facilities	309,838



**IMPERIAL COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014**

Federal Grantor/Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Direct Programs:			
Financial Aid Cluster			
Pell Grant	84.063	N/A	\$ 18,144,581
Supplemental Educational Opportunity Grant	84.007	N/A	178,058
Federal College Work Study	84.033	N/A	445,226
Pell Administration	84.063	N/A	22,795
Total Financial Aid Cluster			<u>18,790,660</u>
TRIO Cluster			
TRIO - Student Support Services	84.042	N/A	388,849
TRIO - Talent Search	84.044	N/A	358,268
TRIO - Upward Bound	84.047A	N/A	617,158
Total TRIO Cluster			<u>1,364,275</u>
Title V Project Atlas Grant	84.031S	N/A	608,040
Passed Through State of California:			
State Vocational Rehabilitation	84.126A	28370	58,805
Passed Through CCC State Chancellors Office:			
Perkins, CTE Transitions	84.048	13-112-030	44,025
Perkins, Title I Part C	84.048	13-C01-022	246,500
Total U.S. Department of Education			<u>21,112,305</u>
U.S. Department of Labor:			
Passed Through Imperial County Workforce:			
WIA Cluster			
WIA Dental Assistant Program	17.258	-	83,314
WIA Correctional Science	17.258	-	116,559
WIA EMT Program	17.258	-	3,929
Total WIA Cluster			<u>203,802</u>
Total U.S. Department of Labor			<u>203,802</u>
U.S. National Science Foundation:			
Education and Human Resources	47.076	N/A	64,954
U.S. Department of Health and Human Services:			
Passed Through CCC State Chancellors Office:			
Temporary Assistance For Needy Families	93.558	-	58,492
U.S. Department of Veterans Affairs:			
Veterans Education	64.116	N/A	2,345
U.S. Department of Agriculture:			
Nutrition Program	10.555	N/A	35,677
Total Expenditures of Federal Awards			<u>\$ 21,477,575</u>

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, 2014**

**Basis of Presentation:**

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF STATE FINANCIAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Program Name	Cash Received	Accounts Receivable	Deferred Income	Total	Total Program Expenditures
<b>State Awards:</b>					
Disabled Student Program and Services	\$ 382,202	\$ -	\$ -	\$ 382,202	\$ 382,202
Extended Opportunity Program and Services	910,506	-	-	910,506	910,506
Cal Grant	1,604,513	13,256	-	1,617,769	1,617,769
CalWorks	229,596	-	-	229,596	229,596
CalWorks Assessment	531,236	53,937	-	585,173	585,173
Care Program	142,202	-	-	142,202	142,202
Child Development Center	408,602	-	-	408,602	456,977
State Financial Aid Allowance	320,911	-	-	320,911	320,911
Foster Care	39,640	39,641	-	79,281	79,281
SB 70 Career Tech Grant	634,458	-	160,463	473,995	473,995
Basic Skills	440,965	-	191,978	248,987	248,987
Student Support and Success Program	363,291	-	53,428	309,863	309,863
Scheduled Maintenance	213,609	-	207,980	5,629	17,603
Behavioral Health	233,783	18,252	-	252,035	252,035
Apprentice	8,123	-	-	8,123	8,123
Nursing Grant	166,063	37,792	-	203,855	203,855
State Energy West Valley College	75,000	-	75,000	-	-
AB 86 - Adult Ed Consortium	116,517	-	75,838	40,679	40,679
Instructional Equipment - Block Grant	122,214	-	31,433	90,781	90,781
Prop 39 Energy Funds	237,018	-	233,683	3,335	3,335
<b>Total State Programs</b>	<b>\$ 7,180,449</b>	<b>\$ 162,878</b>	<b>\$ 1,029,803</b>	<b>\$ 6,313,524</b>	<b>\$ 6,373,873</b>

The accompanying notes are an integral part of this schedule

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported	Audit	Revised	Reported	Audit	Revised
		Data	Adjustments	Data	Data	Adjustments	Data
<b>Academic Salaries:</b>							
Instructional Salaries							
Contract or Regular	1100	7,756,736	-	-	7,757,475	-	-
Other	1300	4,283,668	-	-	4,323,886	-	-
Total Instructional Salaries		12,040,404	-	-	12,081,361	-	-
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	3,577,554	-	-
Other	1400	-	-	-	131,008	-	-
Total Non-Instructional Salaries		-	-	-	3,708,562	-	-
<b>Total Academic Salaries</b>		12,040,404	-	-	15,789,923	-	-
<b>Classified Salaries:</b>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	5,771,519	-	-
Other	2300	-	-	-	146,461	-	-
Total Non-Instructional Salaries		-	-	-	5,917,980	-	-
Instructional Aides							
Regular Status	2200	360,138	-	-	360,138	-	-
Other	2400	104,770	-	-	104,770	-	-
Total Instructional Aides		464,908	-	-	464,908	-	-
<b>Total Classified Salaries</b>		464,908	-	-	6,382,888	-	-
<b>Employee Benefits</b>	3000	3,751,152	-	-	8,327,867	-	-
<b>Supplies and Materials</b>	4000	-	-	-	640,637	-	-
<b>Other Operating Expenses</b>	5000	-	-	-	2,139,775	-	-
<b>Equipment Replacement</b>	6420	-	-	-	-	-	-
<b>Total Expenditures Prior to Exclusions</b>		16,256,464	-	-	33,281,090	-	-
<b>Exclusions:</b>							
<b>Activities to Exclude -</b>							
Instructional Staff Retirees Benefits/Incentives	5900	883,188	-	-	883,188	-	-
Student Health Services Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-Instructional Staff Retirees Benefits/Incentives	6740	-	-	-	1,079,452	-	-
<b>Objects to Exclude -</b>							
Rents and Leases	5060	-	-	-	54,208	-	-
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	35,959	-	-
Non-Instructional Supplies and Materials	4400	-	-	-	139,844	-	-
Total Supplies and Materials		-	-	-	175,803	-	-
Other Operating Expenses and Services	5000	-	-	-	550,224	-	-
Capital Outlay							
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		883,188	-	-	2,742,875	-	-
<b>Total for ECS 84362 50% Law</b>		15,373,276	-	-	30,538,215	-	-
<b>Percent of CEE</b>		50.34%	-	-	100.00%	-	-
<b>50% of Current Expense of Education</b>		15,269,108	-	-	-	-	-

The accompanying notes are an integral part of this schedule

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF EDUCATION PROTECTION ACCOUNT EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Activity Classification</u>	<u>Object Code</u>	<u>Total</u>
EPA Proceeds	8630	\$ 5,251,171

<u>Activity Classification</u>	<u>Object Code</u>	<u>Salaries and Benefits (1000-3000)</u>	<u>Operating Expenses (4000-5000)</u>	<u>Capital Outlay (6000)</u>	<u>Total</u>
Instructional Activities	0100-5900	\$ 5,251,171	\$ -	-	5,251,171

Total Expenditures for EPA	<u>\$ 5,251,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,251,171</u>
Revenues Less Expenditures				<u>\$ -</u>

The accompanying notes are an integral part of this schedule

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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 Schedules of Workload Measures for State General Apportionment and Annual Apprenticeship Hours of Instruction represent the basis of apportionment of the Imperial Community College District's annual source of funding.

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.

D. Schedule of State Financial Awards

This schedule provides disclosure of the financial activities of all state funded programs and reflects total program revenues and expenses.

E. Reconciliation of ECS 84362 (50 Percent Law) Calculation

This schedule provides the information necessary to reconcile the reported data utilized for the 50% law calculation on Form CCFS-311 to the audited balances. Audit adjustments and revised data is reported within the schedule, if applicable.

F. Reconciliation of Education Protection Account Expenditures

This schedule provides the reconciliation of Education Protection Act (EPA) revenues to expenditures and discloses the appropriate activity classification of the funds expended under major object codes.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FUNDING PROGRESS-BENEFITS PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Value of Assets (a)	Liability (AAL) Entry Age (b)	AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll (b-a)/c
11/01/08	\$ -	\$ 33,206,084	\$ 33,206,084	\$ -	\$ 31,122,727	100%
11/01/08	\$ -	\$ 33,206,084	\$ 33,206,084	\$ -	\$ 30,896,889	100%
11/01/08	\$ -	\$ 33,206,084	\$ 33,206,084	\$ -	\$ 28,951,291	100%
12/08/11	\$ -	\$ 33,550,446	\$ 33,550,446	\$ -	\$ 27,308,903	100%
12/08/11	\$ -	\$ 33,550,446	\$ 33,550,446	\$ -	\$ 25,885,437	100%
09/01/13	\$ -	\$ 38,931,924	\$ 38,931,924	\$ -	\$ 29,231,921	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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Imperial Community College District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Imperial Community College District's basic financial statements, and have issued our report thereon dated December 29, 2014.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
December 29, 2014

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

**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, 2014, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 29, 2014. 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* and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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
- Scheduled Maintenance Program
- Student Fees - Health Fees and Use of Health Fee Funds
- To Be Arranged Hours (TBA)
- Proposition 1D State Bond Funded Projects
- Intersession Extension Programs
- Extended Opportunity Programs and Services (EOPS)/Cooperative Agencies Resources for Education (CARE)
- Disabled Student Programs and Services (DSPS)
- Education Protection Account
- Proposition 39 Clean Energy Fund

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, 2014.

This report is intended solely for the information and use of the District's management, the Board of Trustees, others within the District, the California Community College Chancellor's Office, the California Department of Finance, and the California Department of Education 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 29, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

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

We have audited Imperial Community College District's compliance with the types of compliance requirements described in the *OMB 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, 2014. Imperial Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, Imperial Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of Imperial Community College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Imperial Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Imperial Community College District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
December 29, 2014

## **FINDINGS AND RECOMMENDATIONS**



**IMPERIAL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

**Section I-Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

*Federal Awards*

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	No
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No
Identification of major programs:	Name of Federal Program or Cluster
<u>CFDA Number</u>	<u>Student Financial Aid Cluster</u>
84.063, 84.007, 84.033, 84.375	Upward Bound
84.047A	
Dollar threshold to distinguish between Type A and Type B programs:	\$644,327
Auditee qualified as low-risk auditee?	Yes

*State Awards*

Type of auditor's report issued on compliance for state programs:	Unmodified
Internal control over state programs:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	No

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014  
(Continued)**

**Section II - Financial Statement Findings**

No matters reported.

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

No matters reported.

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

No matters reported.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2014**

<b><u>Finding and Recommendation</u></b>	<b><u>Current Status</u></b>	<b><u>Management's Explanation If Not Implemented</u></b>
<p>Finding 2013-1 EOPS and CARE Programs</p> <p>The CARE Advisory Committee did not meet twice during the academic year as required in the state guidelines as listed in the Contracted District Audit Manual. In addition, EOPS and CARE Advisory committee meetings were not documented separately.</p> <p>Require the CARE Advisory Committee to hold and document the required amount of two meetings during each academic year. The meetings should be documented with appropriate meeting minutes and other agenda and should be held separately from the EOPS Advisory Committee meetings.</p>	Implemented	