

**IMPERIAL COMMUNITY COLLEGE  
DISTRICT**

**COUNTY OF IMPERIAL**

**AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016**

**San Diego**

**Los Angeles**

**San Francisco  
Bay Area**

**christywhite**  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended June 30, 2016  
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**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**AUDIT REPORT**  
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## INDEPENDENT AUDITORS' REPORT

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 activity of the Imperial Community College District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Imperial Community College District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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State Board of Accountancy*

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 activity of the Imperial Community College District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Supplementary Information*

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

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016 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.

*Christy White Associates*

December 13, 2016  
San Diego, California

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**MANAGEMENT'S DISCUSSION AND  
ANALYSIS**

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**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**

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The Imperial Community College District (the District) consists of one main campus. The District serves approximately 7,500 students per semester. Full-Time Equivalent Student (FTES) for 2015-16 was 6,812.

The following discussion and analysis provides an overview of the financial position and activities of the Imperial Community College District for the fiscal year ended June 30, 2016. Please read it in conjunction with the financial statements and notes thereto which follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

**FINANCIAL HIGHLIGHTS**

- Net Position increased by \$8.76 million or 25% percent from the prior year. The increase is attributable to the continued reporting of GASB Statement No. 68, *Accounting and Financial Reporting of Pension Liabilities*.

**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, these Statements require the following components to be included in the District's financial statements:

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

Additionally, fund balance is referred to as Net Position, and the Statements of Cash Flows are 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.



**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended June 30, 2016**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The Statements of Net Position present the assets, liabilities, and net position of the District as of the end of the fiscal years ended June 30, 2016 and are 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.

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

The Statements of Revenues, Expense, and Changes in Net Position represent the operating results of the District. The purpose of the statements 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, these statements present the District's results of operations.

Changes in total net position, as indicated on the Statements of Net Position are based on the activity presented in the Statements 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 Statements of Cash Flows provide information about cash receipts and cash payments during the fiscal year, major uses, and sources of cash. These statements also help 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's Discussion and Analysis, continued**  
**For the Fiscal Year Ended June 30, 2016**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The Statements of Cash Flows are divided into five parts. The first part reflects operating cash flows and shows the net cash provided by the operating activities of 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 provided 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 Statements of Revenues, Expenses, and Changes in Net Position. The net cash reconciliation is shown in the expanded version of the Statements of Cash Flows in the financial statements.

The Statements of Net Position as of June 30, 2016 are summarized below:

**Statement of Net Position**

	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current assets	\$ 19,936,880	\$ 16,067,281	\$ 3,869,599
Non-current assets	87,248,183	89,109,969	(1,861,786)
<b>Total Assets</b>	<b>107,185,063</b>	<b>105,177,250</b>	<b>2,007,813</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	5,510,456	2,574,536	\$ 2,935,920
<b>LIABILITIES</b>			
Current liabilities	9,629,928	12,299,906	(2,669,978)
Non-current liabilities	139,814,155	123,097,474	16,716,681
<b>Total Liabilities</b>	<b>149,444,083</b>	<b>135,397,380</b>	<b>14,046,703</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	3,476,600	7,837,292	(4,360,692)
<b>NET POSITION</b>			
Restricted	4,923,977	4,789,412	134,565
Unrestricted	(45,149,141)	(40,272,298)	(4,876,843)
<b>Total Net Position</b>	<b>\$ (40,225,164)</b>	<b>\$ (35,482,886)</b>	<b>\$ (4,742,278)</b>

The District's total assets increased \$2.0 million or 2% from the previous year. The majority of the increase was based on an increase to cash in county treasury. Deferred outflows of resources decreased to \$3.4 million with the implementation of GASB 68 accounting for pension liabilities.

Total liabilities increased by \$14 million or 11% from the previous year. This is related mainly to the addition to the pension liability. Deferred inflows of resources increased to \$19.5 million with the implementation of GASB 68 accounting for pension liabilities.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended June 30, 2016**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2016 and 2015 are summarized below:

**Changes in Net Position**

	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
Total operating revenues	\$ 34,851,243	\$ 33,735,745	\$ 1,115,498
Total operating expenses	79,031,338	78,410,731	620,607
Operating loss	(44,180,095)	(44,674,986)	494,891
Net non-operating revenue (expenses)	39,437,817	40,499,808	(1,061,991)
Change in net position	(4,742,278)	(4,175,178)	(567,100)
Net position - beginning of the year	(35,482,886)	1,316,562	(36,799,448)
Adjustment for restatement (See Note 16)	-	(32,624,270)	32,624,270
Net position - end of the year	\$ (40,225,164)	\$ (35,482,886)	\$ (4,742,278)

The Changes in Net Position comparison presents the District's results of operations and shows an increase in net position of \$8.7 million. The operating deficit increased by \$30.6 million or 3% percent. State apportionment and property taxes are recorded in non-operating income.

The Statements of Cash Flows for the fiscal years ended June 30, 2016 and 2015 are summarized below:

**Changes in Cash Flow**

	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
Net cash provided(used) by:			
Operating activities	\$ (49,331,973)	\$ (37,709,596)	\$ (11,622,377)
Non-capital financing activities	57,117,653	46,355,801	10,761,852
Capital and related financing activities	(3,618,087)	(5,054,145)	1,436,058
Investment activities	82,942	71,296	11,646
Net increase in cash	4,250,535	3,663,356	587,179
Cash - beginning of the year	13,004,660	9,341,304	3,663,356
Cash - end of the year	\$ 17,255,195	\$ 13,004,660	\$ 4,250,535

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended June 30, 2016**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**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. Net Position of fiduciary activities are excluded from the District's net position because the District cannot use fiduciary assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Capital Assets**

As of June 30, 2016, the District had approximately \$87.2 million invested in capital assets. Capital assets consist of land and land improvements, buildings and building improvements, construction in progress, vehicles, data processing equipment, other equipment, and GASB 62 capitalized interest adjustment that met the capitalization threshold recommended by GASB Statement No. 35. These assets have accumulated depreciation of \$25.2 million, leaving a net asset amount of \$87.2 million.

Note 5 to the financial statements provides detail information on capital assets. A summary of capital assets and changes therein is presented below:

**Changes in Capital Assets**

	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
Land and construction in progress	\$ 951,584	\$ 888,519	\$ 63,065
Buildings, improvements, and equipment	111,596,062	110,789,760	806,302
Accumulated depreciation	(25,299,463)	(22,568,310)	(2,731,153)
<b>Total Capital Assets</b>	<b>\$ 87,248,183</b>	<b>\$ 89,109,969</b>	<b>\$ (1,861,786)</b>

Total net capital assets decreased by \$1.8 million or 2% from the previous year as a result of net depreciation of new construction.

**Debt**

At June 30, 2016, the District had \$142,303,028 in long term debt. \$74,276,929 is related to the General Obligation Bonds and \$35,664,028 is related to pension liability. Note 6 beginning on page 26, provides additional information on long-term liabilities.

**Changes in Long-Term Debt**

	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
GO Bonds	\$ 74,276,929	\$ 76,666,002	\$ (2,389,073)
Accreted Interest	13,221,445	6,974,127	6,247,318
Bond Premium	2,693,056	425,413	2,267,643
Compensated absences	110,440	693,753	(583,313)
OPEB Obligation	16,336,971	13,124,461	3,212,510
Pension liabilities	35,664,187	28,603,992	7,060,195
<b>Total Long-term Liabilities</b>	<b>\$ 142,303,028</b>	<b>\$ 126,487,748</b>	<b>\$ 15,815,280</b>

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis, continued  
For the Fiscal Year Ended June 30, 2016**

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**ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE**

In 2015-16, the District reported 6,811.9 Resident FTES, the State funded. The State continues to repay prior cash deferrals which had benefitted the District's operational abilities.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Director of Fiscal Services, at Imperial Community College District, 380 Aten Road, El Centro, CA 92251

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## **FINANCIAL SECTION**

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**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Statement of Net Position**  
**June 30, 2016**

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	<b>Primary Government</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 17,255,195
Accounts receivable	2,673,685
Inventories	8,000
<b>Total Current Assets</b>	<u>19,936,880</u>
 <b>NONCURRENT ASSETS</b>	
Capital assets, net of accumulated depreciation	<u>87,248,183</u>
<b>Total Noncurrent Assets</b>	<u>87,248,183</u>
<b>TOTAL ASSETS</b>	<u>107,185,063</u>
 <b>DEFERRED OUTFLOWS</b>	<u>5,510,456</u>
 <b>CURRENT LIABILITIES</b>	
Accounts payable and accrued liabilities	1,682,087
Unearned revenue	5,458,968
Current Portion - Long-term liabilities	<u>2,488,873</u>
<b>Total Current Liabilities</b>	<u>9,629,928</u>
 <b>NONCURRENT LIABILITIES</b>	
Noncurrent portion - Long-term liabilities	<u>139,814,155</u>
<b>TOTAL LIABILITIES</b>	<u>149,444,083</u>
 <b>DEFERRED INFLOWS</b>	<u>3,476,600</u>
 <b>NET POSITION</b>	
Restricted for:	
Capital projects	3,755,445
Debt service	1,168,532
Unrestricted	<u>(45,149,141)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (40,225,164)</u>

The notes to financial statements are an integral part of this statement.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Statement Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2016**

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	<u>Primary Government</u>
<b>OPERATING REVENUES</b>	
Student Tuition and Fees	\$ 2,703,689
Less: Scholarship discount & allowance	21,673,640
Net tuition & fees	<u>24,377,329</u>
Grants and Contracts, noncapital:	
Federal	2,808,252
State	7,363,109
Local	302,553
Subtotal	<u>10,473,914</u>
<b>TOTAL OPERATING REVENUES</b>	<u><b>34,851,243</b></u>
<b>OPERATING EXPENSES</b>	
Salaries	31,174,879
Benefits	13,086,637
Financial aid	22,526,265
Supplies, materials, & other operating expenses	8,063,449
Capital Outlay	1,448,955
Depreciation	2,731,153
<b>TOTAL OPERATING EXPENSES</b>	<u><b>79,031,338</b></u>
<b>OPERATING LOSS</b>	<u><b>(44,180,095)</b></u>
<b>NONOPERATING REVENUES/(EXPENSES)</b>	
State apportionments, non-capital	24,232,091
Local property taxes	11,623,457
State taxes & other revenues	14,909,909
Investment income - non-capital	82,942
Interest expense	(2,169,132)
Other non-operating revenues	(9,241,450)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u><b>39,437,817</b></u>
<b>CHANGE IN NET POSITION</b>	<b>(4,742,278)</b>
<b>BEGINNING NET POSITION</b>	<u><b>(35,482,886)</b></u>
<b>ENDING NET POSITION</b>	<u><b>\$ (40,225,164)</b></u>

The notes to financial statements are an integral part of this statement.



**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2016**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees	\$ 2,703,689
Grants and contracts	10,473,914
Payments to or on behalf of employees	(31,919,862)
Payments to vendors for supplies and services	(8,063,449)
Payments to students for scholarships and grants	(22,526,265)
Net Cash Flows From Operating Activities	<u>(49,331,973)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State apportionments	24,232,091
Property taxes	11,623,457
State taxes and other revenue	21,262,105
Net Cash Flows From Non-capital Financing Activities	<u>57,117,653</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(1,448,955)
Principal and interest paid on capital debt	(2,169,132)
Net Cash Flows From Capital Financing Activities	<u>(3,618,087)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	82,942
Net Cash Flows From Investing Activities	<u>82,942</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	4,250,535
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>13,004,660</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 17,255,195</u>

The notes to financial statements are an integral part of this statement.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Statement of Cash Flows, continued**  
**For the Fiscal Year Ended June 30, 2016**

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

Operating Loss	\$ (30,671,774)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation expense	2,731,153
Changes in Assets and Liabilities:	
Receivables, net	368,157
Inventory and prepaid expenditures	12,779
Accounts payable and accrued liabilities	(363,921)
Pension liability	(7,060,195)
Deferred revenue	(2,264,623)
Deferred inflows and outflows of resources	(12,083,549)
Total Adjustments	<u>(18,660,199)</u>
<b>Net Cash Flows From Operating Activities</b>	<u>\$ (49,331,973)</u>

**CASH AND CASH EQUIVALENTS CONSIST  
OF THE FOLLOWING**

Cash in banks	\$ 408,208
Cash in county treasury	16,846,987
<b>Total Cash and Cash Equivalents</b>	<u>\$ 17,255,195</u>

The notes to financial statements are an integral part of this statement.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Statement of Net Position – Fiduciary Funds**  
**For the Year Ended June 30, 2016**

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	<u>Associated Student Trust</u>	<u>Scholarship and Loan Trust</u>	<u>Campus Organizations</u>
<b>ASSETS</b>			
Cash	\$ 121,249	\$ 13,662	\$ 126,128
<b>Total Assets</b>	<u>121,249</u>	<u>13,662</u>	<u>126,128</u>
<b>LIABILITIES</b>			
<b>NET POSITION</b>			
Restricted Net Position	121,249	13,662	126,128
<b>Total Net Position</b>	<u>\$ 121,249</u>	<u>\$ 13,662</u>	<u>\$ 126,128</u>

The notes to financial statements are an integral part of this statement.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2016**

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**NOTE 1 – ORGANIZATION**

The Imperial Community College District (the District) was established in 1961 as a political subdivision of the State of California and provides post-secondary educational services to residents of the surrounding area. The District operates under a locally elected five member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one campus located in El Centro, California: Imperial Valley Community College. While the District is a political subdivision of the State of California, it is not a component unit of the state in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place and amounts are available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include state apportionments, property taxes, certain grants, entitlements, and donations. Revenue from state apportionments is generally recognized in the fiscal year in which it is apportioned from the state. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office Budget and Accounting Manual.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. The Business type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statements of Net Position
  - Statements of Revenues, Expenses, and Changes in Net Position
  - Statements of Cash Flows
- Notes to Financial Statements

**Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. Cash equivalents also include cash with county treasury balances for purposes of the statements of cash flows.

**Investments**

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair market value. Fair market value is estimated based on published market prices at year-end. Investments for which there are no quoted market prices are not material.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Accounts Receivable**

Accounts receivable include amounts due from the federal, state and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. Management has analyzed these accounts and believes all amounts are fully collectable.

**Inventory**

Inventory consists primarily of expendable supplies held for consumption. Inventories are stated at the lower of cost or market, utilizing the first-in, first-out method. The cost is recorded as an expense as the inventory is consumed.

**Capital Assets and Depreciation**

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed. Routine repairs and maintenance that do not extend the life of the building or equipment are charged as operating expenses in the year the expense is incurred.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 40 to 50 years; improvements, 20 to 25 years; equipment, 5 to 15 years.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Bond Premiums, and Discounts**

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participated in “load-banking” with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. 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 are never paid for any sick leave balance at termination of employment or any other time, therefore, the value of accumulated sick leave is not recognized as a liability in the District’s financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

**Deferred Revenue**

Deferred revenue arises when potential revenue does not meet both 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 deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from federal and state grants received before the eligibility requirements are met.

**Net Position**

GASB Statements No. 34 and No. 35 report equity as “Net Position.” Net Position are classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

- **Invested in Capital Assets, Net Investment in Capital Assets of Related Debt** – Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

IMPERIAL COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements, continued  
June 30, 2016

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position (continued)

- **Restricted – Expendable** – Net Position whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time.
- **Unrestricted** – Net Position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Operating Revenues and Expenses

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

- **Operating revenues** – Operating revenues include activities that have the characteristics of exchange transactions, such as, (1) student tuition and fees, net of scholarship discounts and allowances, (2) internal service – self-insurance charges, (3) most federal, state, and local grants and contracts, and (4) interest on institutional student loans.
- **Non-operating revenues** – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as state apportionments, property taxes, investment income, and other revenue sources described in GASB Statement No. 34.

**Classification of Expenses** – Nearly all the District’s expenses are from exchange transactions and are classified as either operating or non-operating according to the following criteria:

- **Operating expenses** – Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.
- **Non-operating expenses** – Non-operating expenses include interest expense and other expenses not directly related to the services of the District.



**IMPERIAL COMMUNITY COLLEGE DISTRICT**

**Notes to Financial Statements, continued**

**June 30, 2016**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**State Apportionments**

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

**On-Behalf Payments**

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the State Teachers (STRS) on behalf of all community colleges in California. The amounts of on-behalf payments were \$1,243,228 for STRS.

**Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

**Scholarship Discounts and Allowances**

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statements of Revenues, Expenditures, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payment on the students' behalf. To the extent that fee waivers and discount have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

# IMPERIAL COMMUNITY COLLEGE DISTRICT

## Notes to Financial Statements, continued

June 30, 2016

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Federal Financial Assistance Programs

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

#### Interfund Activity

Exchange transactions between funds of the District are reported as revenues and expenses within the statements of Revenues, Expenses, and Changes in Net Position. Flows of cash or goods from one fund to another without a requirement for repayment are recognized as interfund transfers within the District's fund financial statements. Amounts owing between funds for both exchange and non-exchange transactions are recorded as interfund receivables and payables within the District's fund financial statements. Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

#### New Accounting Pronouncements

**GASB Statement No. 72** – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 72 for the year ended June 30, 2016.

**GASB Statement No. 73** – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

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

**GASB Statement No. 80** – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard's primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 3 – CASH AND INVESTMENTS**

**Policies and Practices**

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

**Investment in County Treasury** – 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 market value of the District’s investment in the pool is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair market value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that 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.

**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>
Local Agency bonds, Notes, Warrants	5 years	None
Registered State Bonds, Notes, Warrants	5 years	None
U.S. Treasury Obligations	897 days	56.44
U.S. Agency Securities	5 years	None
Certificates of Deposit - Bank	261 days	1.96
Commercial Paper	270 days	None
Negotiable Certificates of Deposit	773 days	22.76
Repurchase Agreements	1 year	None
Reverse Repurchase Agreements	92 days	None
Medium-Term Corporate Notes	5 years	None
Mutual Funds	N/A	None
Money Market Mutual Funds	N/A	None
Mortgage Pass-Through Securities	5 years	None
County Pooled Investment Funds	N/A	None
Local Agency Investment Fund (LAIF)	1 day	18.85
Joint Powers Authority Pools	N/A	None

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 3 – CASH AND INVESTMENTS (continued)**

**Authorized Under Debt Agreements**

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

**Summary of Cash and Investments**

Cash and investments as of June 30, 2016, consist of the following:

Primary government	\$	17,255,195
Fiduciary funds		261,039
Total Cash and Investments	<u>\$</u>	<u>17,516,234</u>
Cash in county treasury	\$	16,846,987
Cash on hand in banks		409,120
Cash with fiscal agent		260,127
Total Cash and Investments	<u>\$</u>	<u>17,516,234</u>

**Interest Rate Risk**

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

**Specific Identification**

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

	<u>Cost</u>	<u>Fair Value</u>
Cash in county treasury	<u>\$ 16,846,987</u>	<u>\$ 16,341,577</u>

\*Weighted average days to maturity

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County pool is not required to be rated, nor has it been rated as of June 30, 2016. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 3 – CASH AND INVESTMENTS (continued)**

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District’s bank balance of \$260,127 was not exposed to custodial credit risk because the first \$250,000 deposited per bank was covered under the FDIC insurance limit, and the remaining balance was collateralized with securities held by the pledging financial institution’s trust department or agency.

**NOTE 4 – ACCOUNTS RECEIVABLE**

Receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

The accounts receivable as of June 30, 2016 are as follows:

	Primary Government
Federal	\$ 589,949
State	1,187,282
Local	896,454
Total	\$ 2,673,685

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the District for the fiscal year ended June 30, 2016 was as follows:

	<b>Balance</b>		<b>Balance</b>
	<b>June 30, 2015</b>	<b>Net Change</b>	<b>June 30, 2016</b>
<b>Governmental Activities</b>			
Capital assets not being depreciated			
Land	\$ 160,000	\$ -	\$ 160,000
Construction in Progress	728,519	63,065	791,584
Total capital assets not being depreciated	<u>888,519</u>	<u>63,065</u>	<u>951,584</u>
Capital assets being depreciated			
Land improvements	15,704,099	322,564	16,026,663
Buildings & improvements	89,778,214	58,785	89,836,999
Furniture & equipment	5,307,447	424,953	5,732,400
Total capital assets being depreciated	<u>110,789,760</u>	<u>806,302</u>	<u>111,596,062</u>
Less accumulated depreciation			
Land improvements	(4,354,401)	(985,070)	(5,339,471)
Buildings & improvements	(15,202,525)	(1,555,311)	(16,757,836)
Furniture & equipment	(3,011,384)	(190,772)	(3,202,156)
Total accumulated depreciation	<u>(22,568,310)</u>	<u>(2,731,153)</u>	<u>(25,299,463)</u>
<b>Total Governmental Activities Capital Assets, net</b>	<u>\$ 89,109,969</u>	<u>\$ (1,861,786)</u>	<u>\$ 87,248,183</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 6 – LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District’s long-term obligations for the 2016 fiscal year consisted of the following:

	Balance				Balance		Due Within
	June 30, 2015	Adjustments	Additions	Deductions	June 30, 2016		One Year
GO Bonds	\$ 76,666,002	\$ -	\$ -	\$ 2,389,073	\$ 74,276,929	\$	2,452,428
Accreted Interest	6,974,127	4,043,954	2,261,605	58,241	13,221,445		-
Bond Premium	425,413	2,422,279	-	154,636	2,693,056		-
Compensated absences	693,753	-	-	583,313	110,440		36,445
OPEB Obligation	13,124,461	-	3,212,510	-	16,336,971		-
Pension liabilities	28,603,992	-	7,060,195	-	35,664,187		-
<b>Totals</b>	<b>\$ 126,487,748</b>	<b>\$ 6,466,233</b>	<b>\$ 12,534,310</b>	<b>\$ 3,185,263</b>	<b>\$ 142,303,028</b>	<b>\$</b>	<b>2,488,873</b>

**Description of Debt**

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

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

**Bonded Debt**

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

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 6 – LONG-TERM OBLIGATIONS (continued)**

**Bonded Debt (continued)**

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 and August 1, commencing August 1, 2009 and through the maturity date August 1, 2032.

In May 2009 the District issued \$3,031,779 in General Obligation Bonds 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 rates ranging from 3.6%-6.9% commencing August 1, 2009. Principal is payable on August 1 of each year commencing August 1, 2009 and the maturity date August 1, 2033.

In May 2009, the District issued \$5,866,919 in General Obligation Bonds 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.

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 Bonds with an interest rate of 5.00% due August 1, 2041, (b) \$7,980,000 Current Interest Bonds with an interest rate of 4.625% due August 1, 2041, (c) \$1,965,733 Capital Appreciation Bonds with interest rates ranging from 3.95% to 7.99% due August 1, 2016 through August 2034, and (d) \$3,087,206 Convertible Capital Appreciation Bonds with interest rates ranging from 4.5% to 5.1% due August 2029 through August 2037.

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



**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

**NOTE 6 – LONG-TERM OBLIGATIONS (continued)**

**Bonded Debt (continued)**

The outstanding general obligation bonded debt as of June 30, 2016 is as follows:

	Issuance Date	Yield	Maturity Date	Amount of Original Issue	July 1, 2015 Balance	Adjustments	Additions	Redeemed Current Year	June 30, 2016 Balance	Due Within One Year
Series 2002A Lease Revenue Bonds	8/1/2002	1.40-5.00%	8/1/2018	\$ 3,370,000	\$ 845,000	\$ -	\$ -	\$ 270,000	\$ 575,000	\$ 280,000
Series 2005	1/20/2005	3.30-7.00%	8/1/2029	24,500,000	19,310,000	-	-	380,000	18,930,000	450,000
Series 2006B	11/29/2006	4.00-4.30%	8/1/2031	13,285,473	11,440,473	-	-	775,000	10,665,473	870,000
Series 2007C	11/1/2007	4.00-7.00%	8/1/2031	11,915,816	10,135,816	-	-	520,000	9,615,816	550,000
Series 2009D	5/5/2009	3.60-6.90%	8/1/2034	3,031,779	3,019,343	-	-	39,149	2,980,194	69,818
Series 2009E	5/5/2009	6.90%	8/1/2038	5,866,919	5,866,919	-	-	-	5,866,919	-
Series 2011A	1/27/2011	3.50-7.00%	8/1/2040	9,405,512	9,405,512	-	-	404,924	9,000,588	-
Series 2014A		3.95-7.99%		16,642,939	16,642,939	-	-	-	16,642,939	232,610
Accreted Interest					6,974,127	4,043,954	2,261,605	58,241	13,221,445	-
Bond Premium					425,413	2,422,279	-	154,636	2,693,056	-
				\$ 88,018,438	\$ 84,065,542	\$ 6,466,233	\$ 2,261,605	\$ 2,601,950	\$ 90,191,430	\$ 2,452,428

The annual requirements to amortize the Series 2002A Lease Revenue bonds payable outstanding at June 30, 2016 are summarized below:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 280,000	\$ 21,750	\$ 301,750
2018	295,000	7,375	302,375
<b>Total</b>	<b>\$ 575,000</b>	<b>\$ 29,125</b>	<b>\$ 604,125</b>

The annual requirements to amortize the Series 2005 bonds payable outstanding at June 30, 2016 are summarized below:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 450,000	\$ 883,729	\$ 1,333,729
2018	520,000	865,766	1,385,766
2019	600,000	844,391	1,444,391
2020	730,000	818,166	1,548,166
2021	865,000	786,266	1,651,266
2022-2026	6,720,000	3,168,164	9,888,164
2027-2031	9,045,000	964,875	10,009,875
<b>Total</b>	<b>\$ 18,930,000</b>	<b>\$ 8,331,357</b>	<b>\$ 27,261,357</b>

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 6 – LONG-TERM OBLIGATIONS (continued)**

**Bonded Debt (continued)**

The annual requirements to amortize the Series 2006B bonds payable outstanding at June 30, 2016 are summarized below:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 870,000	\$ 56,800	\$ 926,800
2018	985,000	19,700	1,004,700
2019	315,163	779,837	1,095,000
2020	672,610	457,390	1,130,000
2021	661,103	503,897	1,165,000
2022-2026	2,694,200	2,830,800	5,525,000
2027-2031	3,308,501	5,516,499	8,825,000
2032	1,158,897	2,351,103	3,510,000
<b>Total</b>	<b>\$ 10,665,473</b>	<b>\$ 12,516,026</b>	<b>\$ 23,181,499</b>

The annual requirements to amortize the Series 2007C refunding bonds payable outstanding at June 30, 2016 are summarized below:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 550,000	\$ 143,075	\$ 693,075
2018	565,000	120,775	685,775
2019	595,000	97,575	692,575
2020	615,000	73,375	688,375
2021	640,000	48,275	688,275
2022-2026	2,349,950	2,032,787	4,382,737
2027-2031	1,943,387	3,336,613	5,280,000
2032	2,357,479	5,292,521	7,650,000
<b>Total</b>	<b>\$ 9,615,816</b>	<b>\$ 11,144,996</b>	<b>\$ 20,760,812</b>

The annual requirements to amortize the Series 2009D refunding bonds payable outstanding at June 30, 2016 are summarized below:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 69,818	\$ 25,182	\$ 95,000
2018	89,518	40,482	130,000
2019	102,670	57,330	160,000
2020	118,948	81,052	200,000
2021	137,360	112,640	250,000
2022-2026	916,559	1,243,441	2,160,000
2027-2031	1,197,629	3,052,371	4,250,000
2032-2034	347,691	2,012,309	2,360,000
<b>Total</b>	<b>\$ 2,980,194</b>	<b>\$ 6,624,807</b>	<b>\$ 9,605,001</b>

IMPERIAL COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements, continued  
June 30, 2016

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NOTE 6 – LONG-TERM OBLIGATIONS (continued)

Bonded Debt (continued)

The annual requirements to amortize the Series 2009E bonds payable outstanding at June 30, 2016 are summarized below:

Year Ending June 30,	Principal	Interest	Total
2017	\$ -	\$ -	\$ -
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	-	-	-
2032-2036	4,133,376	19,076,624	23,210,000
2037-2038	1,733,543	12,716,457	14,450,000
<b>Total</b>	<b>\$ 5,866,919</b>	<b>\$ 31,793,081</b>	<b>\$ 37,660,000</b>

The annual requirements to amortize the Series 2011A bonds payable outstanding at June 30, 2016 are summarized below:

Year Ending June 30,	Principal	Interest	Total
2017	\$ -	\$ 707,738	\$ 707,738
2018	11,706	721,032	732,738
2019	20,836	736,902	757,738
2020	29,670	758,067	787,737
2021	34,658	846,679	881,337
2022-2026	60,361	4,454,326	4,514,687
2027-2031	53,164	4,516,523	4,569,687
2032-2036	-	4,224,688	4,224,688
2037-2041	8,790,193	6,653,439	15,443,632
<b>Total</b>	<b>\$ 9,000,588</b>	<b>\$ 23,619,394</b>	<b>\$ 32,619,982</b>

The annual requirements to amortize the Series 2014A bonds payable outstanding at June 30, 2016 are summarized below:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 232,610	\$ 596,965	\$ 829,575
2018	241,967	622,608	864,575
2019	248,595	745,306	993,901
2020	128,064	805,161	933,225
2021	142,706	830,519	973,225
2022-2026	590,673	4,205,452	4,796,125
2027-2031	720,642	3,964,221	4,684,863
2032-2036	1,620,044	4,039,031	5,659,075
2037-2041	5,747,638	2,800,296	8,547,934
2042	6,970,000	164,800	7,134,800
<b>Total</b>	<b>\$ 16,642,939</b>	<b>\$ 18,774,359</b>	<b>\$ 35,417,298</b>

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS**

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

**Plan Description and Contribution Information**

Membership of the plan consisted of the following at May 16, 2016, the date of the latest actuarial valuation:

Eligible Retirees	195
Eligible Active Employees	265
Total	<u>460</u>

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

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

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

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

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Funded Status and Funding Progress – OPEB Plans (continued)**

Additional information as of the latest actuarial valuation follows:

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

**Annual OPEB Cost and Net OPEB Asset**

The following table shows the elements of the District’s annual OPEB cost for the year, the amount actually paid on behalf of the plan, and changes in the District’s net OPEB asset to the plan for the fiscal year ended June 30, 2016:

Annual required contribution (ARC)	\$	4,727,865
Initial UAAL Amortization		-
Residual UAAL Amortization		-
Annual OPEB cost		<u>4,727,865</u>
Contributions made:		-
Pay-as-you-go cost		<u>1,515,355</u>
Total contributions made		<u>1,515,355</u>
Increase in net OPEB obligation		3,212,510
Net OPEB obligation - July 1, 2015		<u>13,124,461</u>
Net OPEB obligation - June 30, 2016	\$	<u>16,336,971</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 8 – RISK MANAGEMENT**

**Description**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has one self-insurance fund (Internal Service Fund) 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.

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

The Imperial Community College District participates in two joint powers agreements (JPA's) with the Imperial County School Districts Property and Liability Authority (ICSDPL) and the Self-Insured Program for Imperial County (SIPIC). The relationship between the Imperial Community College District and the JPA's is such that the JPA's are not component units of the Imperial Community College District for financial reporting purposes. The JPA's arrange for and provide workers compensation, health, property and liability insurance for its members. A board consisting of a representative from each member district governs each JPA. The board controls the operations of each JPA including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in each JPA. Financial information for the JPA's at June 30, 2016 was not available at the time this report was issued. The information can be obtained by contacting the JPA directly.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 9 – EMPLOYEE PENSION PLANS**

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

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 25,216,202	\$ 3,662,095	\$ 2,476,899	\$ 2,215,389
PERS Pension	10,447,985	1,848,361	999,701	1,051,360
	<u>\$ 35,664,187</u>	<u>\$ 5,510,456</u>	<u>\$ 3,476,600</u>	<u>\$ 3,266,749</u>

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

**Plan Description**

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

**Benefits provided**

The CalSTRS defined benefit plan has two benefit formulas:

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

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

***CalSTRS 2% at 62***

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 9 – EMPLOYEE PENSION PLANS (continued)**

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

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 9.20% and 8.56% of their salary for fiscal year 2016, respectively, and the District is required to contribute an amount established in State statute. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$2,086,304 for the year ended June 30, 2016.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-14 education. These payments consist of state general fund contributions of approximately \$2,683,227 to CalSTRS (7.126% of 2013-14 creditable compensation subject to CalSTRS).

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 25,216,202
States's proportionate share of the net pension liability associated with the District	13,336,556
Total	<u>\$ 38,552,758</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, an amount established in State statute. At June 30, 2016, the District’s proportion was .129% percent, which was an increase of from its proportion measured as of June 30, 2015.



**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 9 – EMPLOYEE PENSION PLANS (continued)**

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

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

For the year ended June 30, 2016, the District recognized pension expense of \$2,086,304. In addition, the District recognized pension expense and revenue of \$1,575,791 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 2,055,530
Differences between expected and actual experience	-	421,369
Changes in proportion and differences between District contributions and proportionate share of contributions	1,575,791	-
District contributions subsequent to the measurement date	2,086,304	-
	<u>\$ 3,662,095</u>	<u>\$ 2,476,899</u>

The \$12,751,863 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 262,632	\$ 584,111
2018	262,632	584,111
2019	262,632	584,111
2020	262,632	584,111
2021	262,632	70,228
2022	262,632	70,227
	<u>\$ 1,575,791</u>	<u>\$ 2,476,899</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 9 – EMPLOYEE PENSION PLANS (continued)**

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

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield (Net of Expenses)	7.60%
Wage Inflation	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitivie	5%	3.20%
Fixed Income	20%	20.00%
Cash/Liquidity	1%	0.00%
	<u>100%</u>	

\*10-year geometric average

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 9 – EMPLOYEE PENSION PLANS (continued)**

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

**Discount rate**

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

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

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

	<b>1% Decrease (6.60%)</b>	<b>Current Discount Rate (7.60%)</b>	<b>1% Increase (8.60%)</b>
District’s proportionate share of the net pension liability	\$ 14,152,517	\$ 25,216,202	\$ 2,983,148

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 9 – EMPLOYEE PENSION PLANS (continued)**

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

**Plan Description**

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

**Benefits provided**

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

**Pension plan fiduciary net position**

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

**Contributions**

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2016 was 11.847% of annual payroll. Contributions to the plan from the District were \$11,176,072 for the year ended June 30, 2016.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 9 – EMPLOYEE PENSION PLANS (continued)**

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

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

At June 30, 2016, the District reported a liability of \$29,581,605 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was .377 percent, which was a decrease of .001% percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$5,424,269. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 357,748
Differences between expected and actual experience	597,117	-
Changes in assumptions	-	641,953
Changes in proportion and differences between District contributions and proportionate share of contributions	245,528	-
District contributions subsequent to the measurement date	1,005,716	-
	<u>\$ 1,848,361</u>	<u>\$ 999,701</u>

The \$5,424,269 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 290,567	\$ 310,800
2018	290,567	310,800
2019	261,511	288,664
2020	-	89,437
	<u>\$ 842,645</u>	<u>\$ 999,701</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 9 – EMPLOYEE PENSION PLANS (continued)**

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

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield (Net of Expenses)	7.65%
Wage Inflation	Varies by Entry Age and Service

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

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2016**

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**NOTE 9 – EMPLOYEE PENSION PLANS (continued)**

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

**Actuarial assumptions (continued)**

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Years 11+**</u>
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

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

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

**Discount rate**

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

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

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

	<b>1% Decrease (6.60%)</b>	<b>Current Discount Rate (7.60%)</b>	<b>1% Increase (8.60%)</b>
District’s proportionate share of the net pension liability	\$ 14,152,517	\$ 10,447,985	\$ 2,983,148

**Pension plan fiduciary net position**

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2015**

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**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

**Grants**

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District as of June 30, 2016.

**Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

**Construction Commitments**

As of June 30, 2016, the District had no significant commitments with respect to capital projects.



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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Schedule of Funding Progress**  
**For the Fiscal Year Ended June 30, 2016**

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

See accompanying note to supplementary information.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
STRS  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.037%	0.035%
District's proportionate share of the net pension liability	\$ 25,216,202	\$ 20,452,944
States's proportionate share of the net pension liability associated with the District	13,336,556	12,023,660
Total	<u>\$ 38,552,758</u>	<u>\$ 32,476,604</u>
District's covered-employee payroll	\$ 19,698,761	\$ 18,330,412
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	128.0%	111.6%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%	76.5%

See accompanying note to supplementary information.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
PERS  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.071%	0.072%
District's proportionate share of the net pension liability	\$ 10,447,985	\$ 8,151,048
District's covered-employee payroll	\$ 8,489,613	\$ 7,998,284
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	123.1%	101.9%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%	83.4%

See accompanying note to supplementary information.

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS – STRS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

\*Amounts do not include on behalf contributions

**IMPERIAL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS – PERS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

See accompanying note to supplementary information.

IMPERIAL COMMUNITY COLLEGE DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016

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NOTE 1 - PURPOSE OF SCHEDULE

A. **Schedule of Postemployment Healthcare Benefits Funding Progress**

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

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

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

C. **Schedule of District Contributions**

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

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## **SUPPLEMENTARY INFORMATION SECTION**

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**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Local Educational Agency Organization Structure**  
**June 30, 2016**

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The Imperial Community College District (the 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, 2016 was composed of the following members:

**GOVERNING BOARD**

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<b>MEMBER</b>	<b>OFFICE</b>	<b>TERM EXPIRES</b>
Jerry D. Hart	President	November 2016
Karla A. Sigmond	Clerk	November 2018
Louis wong	Trustee	November 2016
Rudy Cardenas, Jr.	Trustee	November 2016
Juanita Salas	Trustee	November 2018
Romualdo J. Medina	Trustee	November 2016
Steven M. Taylor	Trustee	November 2018

**DISTRICT ADMINISTRATORS**

Victor M. Jaime, Ed.D  
*Superintendent/President*

John Lau  
*Vice President for Administrative Services*

Dr. Nicholas Akinkuoye  
*Vice President for Academic Services*

Sergio Lopez  
*Vice President for Student Services*

John Lau  
*Interim - Chief Human Resources Officer*

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
<b>U.S. Department of Education:</b>			
Supplemental Educational Opportunity Grant	84.807		\$ 220,160
Federal College Work Study	84.033		481,431
Pell Grant	84.063		18,843,508
Pell Administration	84.063		25,045
Subtotal Student Financial Assistance Cluster			<u>19,570,144</u>
TRIO Cluster			
TRIO-Student Support Services	84.042		373,863
TRIO-Upward Bound	84.038		594,806
TRIO-Talent Search	84.044		363,107
Subtotal TRIO Cluster			<u>1,331,776</u>
Title V Cluster			
Title V – Atlas Grant	84.031S		257,273
Title V – TALCAS Grant	84.031S		98,668
Subtotal Title V Cluster			<u>355,941</u>
<i>Passed Through California Department of Education</i>			
Perkins Title I-C	84.048		269,622
CTE Transitions - Perkins IV	84.048		45,119
Subtotal Passed through the California Department of Education			<u>314,741</u>
<b>Total U.S. Department of Education</b>			<u><u>21,572,602</u></u>
<b>U.S. Department of Health and Human Services:</b>			
<i>Passed Through California Department of Education</i>			
Temporary Assistance for Needy Families	93.558		52,971
<b>Total U.S. Department of Health and Human Services</b>			<u>52,971</u>
<b>U.S. Department of Labor</b>			
WIA Office Technology	17.258		44,095
WIA Diesel Technology	17.258		40,400
WIA Welding Technology	17.258		23,214
Department of Rehabilitation	84.126A		59,363
U.S Department of Veterans Affairs: Veterans Education	64.116		1,100
<b>Total U.S. Department of Labor</b>			<u>168,172</u>
<b>National Science Foundation</b>			
National Science Foundation	47.076		2,875
<b>Total National Science Foundation</b>			<u>2,875</u>
<b>U.S. Department of Agriculture</b>			
Nutrition Program	10.555		38,856
<i>Passed Through California Department of Education</i>			
Summer Food Service Program	10.559		22,685
<b>Total U.S. Department of Agriculture</b>			<u>61,541</u>
<b>Total Expenditure of Federal Awards</b>			<u><u>\$ 21,858,161</u></u>

See accompanying note to supplementary information.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Schedule of Expenditures of State Awards**  
**For the Fiscal Year Ended June 30, 2016**

Program Name	Cash Received	Accounts Receivable	Deferred Income	Total	Total Program Expenditures
State Awards:					
Disabled Student Program and Services (15401)	\$ 450,532	\$ -	\$ -	\$ 450,532	\$ 450,532
Disabled Student Program and Services (154018)	1,327	-	-	1,327	1,327
Extended Opportunity Program and Services (15305)	1,235,325	-	-	1,235,325	1,235,325
Behavioral Health (15403)	232,457	33,939	-	266,396	266,396
Staff Diversity (15901)	4,806	-	2,232	2,574	2,574
Staff Diversity c/o (159018)	4,923	-	1,392	3,531	3,531
Nursing Grant (15919)	72,024	6,263	-	78,287	78,287
Cal Grant (74701)	1,971,739	41,193	-	2,012,932	2,012,932
Full-Time Incentive Grant (74702)	699,472	-	88,672	610,800	610,800
ICOE/AEGB (16008)	-	12,046	-	12,046	12,046
CalWorks (15501)	139,802	23,431	-	163,233	163,233
CalWorks (15505)	89,620	-	-	89,620	89,620
CalWorks Assessment (17308)	441,694	90,883	-	532,577	532,577
Care Program (15801)	237,852	-	-	237,852	237,852
Child Development Center (33001)	221,607	105,079	-	326,686	300,651
Child Development Center (33002)	246,706	3,128	-	249,834	274,758
Foster Care (16202)	39,640	39,641	-	79,281	79,281
Foster Care - CSEC Allocation (16214)	-	3,750	-	3,750	3,750
SB 1070 CTE Reg Pathways (15618)	19,538	3,681	-	23,219	23,219
Enrollment Fee Administration (15902)	135,595	-	-	135,595	135,595
Basic Skills (18301) 13-14	991	-	-	991	991
Basic Skills (18305) 14-15	172,940	-	-	172,940	172,940
Basic Skills (18306) 15-16	161,869	-	161,549	320	320
CCPT Ca Career Pathways Grant	2,894,577	-	1,997,347	897,230	897,230
CTE Enhancement Grant 60% (15616)	2,610	15,546	-	18,156	18,156
CTE Enhancement Grant 40% (15617)	68,817	10,634	-	79,451	79,451
Prop 39 Prog Imprmt Funding (15619)	892	-	-	892	892
Prop 39 Grossmont-Cuyamaca (15622)	-	32,991	-	32,991	32,991
State Energy West Valley College (15620)	51,806	-	-	51,806	51,806
State Energy Chancellor's Office (15621)	20,682	-	-	20,682	20,682
Regional Consortion IDRC Grant (15615)	954	-	-	954	954
Prop 39 Energy Funds 14-15 (15611)	93,514	-	17,452	76,062	76,062
Prop 39 Energy Funds 15-16 (15612)	196,648	-	155,385	41,263	41,263
Enrollment Fee Waiver - ACA (15201)	392,253	-	-	392,253	392,253
15-16 Phys Plant & Instr Support Grant (16302)	890,791	-	535,789	355,002	355,002
Student Support and Success Program	-	-	-	-	-
Credit (16004)	1,431,840	-	693,278	738,562	738,562
Credit c/o (160048)	268,250	-	-	268,250	268,250
Non-credit (16213)	12,921	-	865	12,056	12,056
Student Equity (16005)	1,032,848	-	350,810	682,038	682,038
Student Equity (160058)	422,151	-	-	422,151	422,151
AB 86 - Adult Ed Consortium (16215)	19,281	-	-	19,281	19,281
Scheduled Maintenance (16501)	292,041	-	112,579	179,462	179,462
Scheduled Maintenance (165018)	380,323	-	292,040	88,283	88,283
<b>Total State Programs</b>	<b>\$ 15,053,658</b>	<b>\$ 422,205</b>	<b>\$ 4,409,390</b>	<b>\$ 11,066,473</b>	<b>\$ 11,065,362</b>

See accompanying note to supplementary information.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Schedule of Workload Measures for State General Apportionment – Annual/Actual Attendance**  
**For the Fiscal Year Ended June 30, 2016**

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	<u>Reported Data</u>	<u>Audit Adjustment</u>	<u>Revised Data</u>
<b>A. Summer Intersession (Summer 2015 Only)</b>			
1. Noncredit	-	-	-
2. Credit	12.10	-	12.10
<b>B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)</b>			
1. Noncredit	-	-	-
2. Credit	459.19	-	459.19
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedures Courses			
(a) Weekly Census Contact Hours	5,166.25	-	5,166.25
(b) Daily Census Contact Hours	590.09	-	590.09
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	41.42	-	41.42
(b) Credit	212.78	-	212.78
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	276.04	-	276.04
(b) Daily Census Procedure Courses	54.03	-	54.03
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<u>6,811.90</u>	<u>-</u>	<u>6,811.90</u>
<b>Supplemental Information (subset of information above)</b>			
In-service Training Courses (FTES)	7.28	-	7.28
Basic Skills Courses and Immigrant Education			
1. Noncredit	16.70	-	16.70
2. Credit	1,132.09	-	1,132.09

See accompanying note to supplementary information.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

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*There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2016.*

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Reconciliation of Government Funds to Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

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General Fund	\$ 8,143,293
Bond Interest and Redemption Fund	3,755,445
Child Development Fund	55,030
Capital Outlay Fund	1,168,532
Revenue Bond Construction Fund	260,127
Self Insurance Fund	53,071
Total Audited Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)	\$ 13,435,498

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

Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation are added to total net assets. 87,248,183

Accounts Payable (639,673)

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

General Obligation Bonds Payable	(74,276,929)
Premium on issuance of bonds	(2,693,056)
Current year accreted interest	(13,221,445)
SERP	-
Compensated absences	(110,440)
OPEB Obligation	(16,336,971)
Pension liabilities	(35,664,187)

Net amounts included in net assets related to GASB 68 2,033,856

Total Net Assets \$ (40,225,164)

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Reconciliation of the ECS 84362 (50 Percent Law) Calculation**  
**For the Fiscal Year Ended June 30, 2016**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ESCB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	8,325,501	-	8,325,501	8,325,501	-	8,325,501
Other	1300	5,578,259	-	5,578,259	5,578,259	-	5,578,259
Total Instructional Salaries		13,903,760	-	13,903,760	13,903,760	-	13,903,760
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	3,779,078	-	3,779,078
Other	1400	-	-	-	229,582	-	229,582
Total Non-Instructional Salaries		-	-	-	4,008,660	-	4,008,660
Total Academic Salaries		13,903,760	-	13,903,760	17,912,420	-	17,912,420
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	6,321,879	-	6,321,879
Other	2300	-	-	-	149,761	-	149,761
Total Non-Instructional Salaries		-	-	-	6,471,640	-	6,471,640
Instructional Aides							
Regular Status	2200	340,460	-	340,460	340,460	-	340,460
Other	2400	114,349	-	114,349	114,349	-	114,349
Total Instructional Aides		454,809	-	454,809	454,809	-	454,809
Total Classified Salaries		454,809	-	454,809	6,926,449	-	6,926,449
Employee Benefits	3000	5,175,851	-	5,175,851	10,506,641	-	10,506,641
Supplies and Materials	4000	-	-	-	676,017	-	676,017
Other Operating Expenses	5000	-	-	-	2,292,689	-	2,292,689
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		19,534,420	-	19,534,420	38,314,216	-	38,314,216
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	1,024,866	-	1,024,866	1,024,866	-	1,024,866
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,005,159	-	1,005,159
Object to Exclude							
Rents and Leases	5060	-	-	-	47,069	-	47,069
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	29,136	-	29,136
Non-instructional Supplies & Materials	4400	-	-	-	154,798	-	154,798
Total Supplies and Materials		-	-	-	183,934	-	183,934
Other Operating Expenses and Services	5000	-	-	-	834,828	-	834,828
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment	6420	-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ 1,024,866	\$ -	\$ 1,024,866	\$ 3,095,856	\$ -	\$ 3,095,856
Total for ECS 84362, 50% Law		\$ 18,509,554	\$ -	\$ 18,509,554	\$ 35,218,360	\$ -	\$ 35,218,360
Percent of CEE (Instructional Salary Cost/Total CEE)		52.56%	0.00%	52.56%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ 17,609,180	\$ -	\$ 17,609,180	\$ 17,609,180	\$ -	\$ 17,609,180

See accompanying note to supplementary information.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Details of the Education Protection Account**  
**For the Fiscal Year Ended June 30, 2016**

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EPA Revenue	\$ 15,546,827
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	
Instructional Activities	0100-5900	\$ 6,022,023	\$ -	\$ -	\$ 6,022,023
Total		\$ 6,022,023	\$ -	\$ -	\$ 6,022,023

See accompanying note to supplementary information.



**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Note to the Supplementary Information**  
**June 30, 2016**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

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

**Schedule of Expenditures of State Awards**

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

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

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

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

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

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

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

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

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

**Details of the Education Protection Account**

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

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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Board of Trustees  
Imperial Community College District  
Imperial, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Imperial Community College District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Imperial Community College District's basic financial statements, and have issued our report thereon dated December 13, 2016.

**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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Imperial Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of Imperial Community College District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material 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.

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## **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Christy White Associates*

San Diego, California  
December 13, 2016

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM  
GUIDANCE**

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Board of Trustees  
Imperial Community College District  
Imperial, California

**Compliance**

We have audited Imperial Community College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Imperial Community College District's major federal programs for the year ended June 30, 2016. Imperial Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Imperial Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Imperial Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### *Opinion on Each Major Federal Program*

In our opinion, Imperial Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Imperial Community College District's internal control over compliance.

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

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

*Christy White Associates*

San Diego, California  
December 13, 2016

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Board of Trustees  
Imperial Community College District  
Imperial, California

### **Report on State Compliance**

We have audited Imperial Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2015-16*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2016.

### ***Management's Responsibility***

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

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

Our responsibility is to express an opinion on Imperial Community College District's compliance with the requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual (CDAM) 2015-16*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about Imperial Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on State Compliance***

In our opinion, Imperial Community College District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2016.

### ***Procedures Performed***

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

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

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2015-16*. Accordingly, this report is not suitable for any other purpose.

*Christy White Associates*

San Diego, California  
December 13, 2016



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**FINDINGS AND QUESTIONED COSTS  
SECTION**

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**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Summary Schedule of Audit Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2016**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

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

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

**STATE AWARDS**

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Summary Schedule of Audit Findings and Questioned Costs, continued**  
**For the Fiscal Year Ended June 30, 2016**

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**Section II – Financial Statement Findings**

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

*There were no financial statement findings or questioned costs noted during 2015-16.*

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Summary Schedule of Audit Findings and Questioned Costs, continued**  
**For the Fiscal Year Ended June 30, 2016**

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

This section identifies the audit findings required to be reported by Uniform Guidance (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

*There were no federal award findings or questioned costs noted during 2015-16.*

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Schedule of Audit Findings and Questioned Costs, continued**  
**For the Fiscal Year Ended June 30, 2016**

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

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

*There were no state award findings or questioned costs noted during 2015-16.*

**IMPERIAL COMMUNITY COLLEGE DISTRICT**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Fiscal Year Ended June 30, 2016**

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*There were no findings or questioned costs for the District for the 2014-15 fiscal year.*