# IMPERIAL COMMUNITY COLLEGE DISTRICT

## IMPERIAL COUNTY

## IMPERIAL, CALIFORNIA

## AUDIT REPORT

## JUNE 30, 2015

# INTRODUCTORY SECTION

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# IMPERIAL COMMUNITY COLLEGE DISTRICT
# INTRODUCTION
# JUNE 30, 2015

## Introduction

The audit has the following objectives:

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

P. Robert Wilkinson, CPA
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# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and the discretely presented component unit of Imperial Community College District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Imperial Community College District as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## Emphasis of Matter

*Change in Accounting Principles*

As described in Note A to the financial statements, in 2015, Imperial Community College District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

## Other Matters

*Required Supplementary Information*

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

*Other Information*

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

The accompanying other supplementary information is presented for purposes of additional analysis as required by the *Contracted District Audit Manual* issued by the California Community College Chancellor's Office, and is also not a required part of the basic financial statements.

Other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015 on our consideration of Imperial Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Imperial Community College District's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 15, 2015

## INTRODUCTION

The Imperial Community College District (the District) consists of one main campus. The District serves approximately 7,500 students. Full-Time Equivalent Student (FTES) enrollment for 2014-2015 was 6,873.

The following discussion and analysis provides an overview of the financial position and activities of the Imperial Community College District for the year ended June 30, 2015. Please read it in conjunction with the financial statements and notes thereto which follow this section.

## FINANCIAL HIGHLIGHTS

During 2014-15, total reported full-time equivalent students increased approximately 3.7%. This was possible in part by FY11-12 248 FTES workload restoration. Credit FTES, Non-Credit FTES along with other workload measures, are the basis for the District's state apportionment. Workload measures directly related to credit/non-credit FTES account for over $29 million state general apportionment, including $6.6 million from Prop 30 proceeds.

Trend of Full Time Students as Reported on the Annual Report

| | 10-11 | 11-12 | 12-13 | 13-14 | 14-15 |
|---|---|---|---|---|---|
| FTES | 7,290 | 6,119 | 6,053 | 6,625 | 6,865 |

## 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. Also 2014-15 is the first year in which the district is required to report the Total Net Pension (PERS and STRS) Liability under GASB 68 & 71. The District is following the Business Type Activity (BTA) model. Rather than issuing fund-type financial statements, this GASB Statement No. 34 requires the following components to be included in the District's financial statements:

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

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

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

The ***Statement of Net Position*** presents the assets, liabilities, deferred outflows, deferred inflows, and net position of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis, used by most private sector organizations. The difference between total assets and deferred outflows and total liabilities and deferred inflows (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, Investment in Capital Assets, represents the equity amount in property, plant, and equipment owned by the District. The second category is Expendable Restricted Net Assets. These net assets are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. Restrictions can also be enforced through agreements, laws, or regulations of creditors, other governmental agencies, imposed bylaws through constitutional provisions or enabling legislation. The final category is Unrestricted Net Assets that are available to the District for any lawful purpose. Although unrestricted, the District's Governing Board may place internal restrictions on these net assets, but it retains the power to change, remove, or modify such restrictions.

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

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

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

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash provided by the operating activities of the District. The second part details cash received for non-operating, non-investing and non-capital activities of the institution. The third section deals with the cash used for the acquisition and construction of capital and related financing activities. The fourth part provides information from investing activities. This section reflects the cash received and spent for short-term investment and any interest paid or received on those investments.

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

The Statement of Net Position as of June 30, 2015, is summarized below:

**Statement of Net Position**

| | June 30, 2015 | June 30, 2014 | Change |
|---|---|---|---|
| Current assets | 16,067,281 | 16,359,226 | (291,945) |
| Capital assets | 89,109,969 | 89,936,111 | (826,142) |
| **Total Assets** | 105,177,250 | 106,295,337 | (1,118,087) |
| Deferred Outflows of Resources | 2,574,536 | 0 | 2,574,536 |
| Current liabilities | 12,299,906 | 11,860,668 | 439,238 |
| Long-term liabilities | 123,097,474 | 93,118,107 | 29,979,367 |
| **Total Liabilities** | 135,397,380 | 104,978,775 | 30,418,605 |
| Deferred Inflows of Resources | 7,837,292 | 0 | 7,837,292 |
| Net position | | | |
| Invested in capital assets net of related debt | 0 | 0 | 0 |
| Restricted | 4,789,412 | 147,318 | 4,642,094 |
| Unrestricted | (40,272,298) | 1,169,244 | (41,441,542) |
| **Total Net Position** | (35,482,886) | 1,316,562 | (36,799,448) |

Total Current Liabilities had a net decrease of $439,000 in part due to normal operating activities and long term debt increased by approximately $30 million in part due to the inclusion of net pension liabilities (GASB 68 & GASB 71).

The Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2015, is summarized below:

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

| | June 30, 2015 | June 30, 2014 | Change |
|---|---|---|---|
| Operating revenues | 33,735,745 | 30,130,977 | 3,604,768 |
| Operating expenses | 75,630,795 | 70,186,847 | (5,443,948) |
| **Deficit before depreciation and non-operating income and expense** | (41,895,050) | (40,055,870) | (1,839,180) |
| Depreciation | (2,779,936) | (2,497,144) | (282,792) |
| **Deficit before non-operating income and expense** | (44,674,986) | (42,553,014) | (2,121,972) |
| Non-operating income and expense, net | 40,499,808 | 37,608,061 | 2,891,747 |
| **Increase (decrease) in net position** | (4,175,178) | (4,944,953) | 769,775 |
| Net position (deficit), beginning of year | 1,316,562 | 6,261,515 | (4,944,953) |
| Restatement of Beginning Net Position (Note 18) | (32,624,270) | 0 | (32,624,270) |
| Net Position (Deficit), end of year | (35,482,886) | 1,316,562 | (36,799,448) |

## Operating Revenues

The Changes in Net Position comparison presents the District's results of operation and shows a decrease of $36,799,448. The total ending net position for the year is ($35,482,886). This significant decrease is due mostly to the recognition of Net Pension Liabilities as required by GASB 68 and GASB 71. Operating expenses over operating revenues increased by $1,839,180. State apportionment and property taxes are recorded in non-operating income. Net non-operating income and expense increased by $2,891,747.

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

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

## Operating Expenses

Operating expenses are 54.80% related to personnel costs. The balance of operating expenses is for supplies, other services, and capital outlay items below the capitalization threshold, financial aid, insurance, utilities and depreciation expense.

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

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

The Statement of Cash Flows for the year ended June 30, 2015 is summarized below:

### Statement of Cash Flows

| | June 30, 2015 | June 30, 2014 | Change |
|---|---|---|---|
| Operating activities | (37,709,596) | (44,184,011) | 6,474,415 |
| Non-capital financing activities | 46,355,801 | 37,522,231 | 8,833,570 |
| Capital and related activities | (5,054,145) | (8,750,092) | 3,695,947 |
| Investing activities | 71,296 | 85,830 | (14,534) |
| **Net Increase (decrease) in Cash and Cash Equivalents** | 3,663,356 | (15,326,042) | 18,989,398 |
| Cash Balance, Beginning of Year | 9,341,304 | 24,667,346 | (15,326,042) |
| **Cash Balance, End of Year** | 13,004,660 | 9,341,304 | 3,663,356 |
| **Cash Used by Operating Activities** | (37,709,596) | (44,184,011) | 6,474,415 |

## DISTRICT FIDUCIARY RESPONSIBILITY

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

## CAPITAL ASSETS

As of June 30, 2015, the District had over $111.6 million invested in capital assets. Capital assets consist of land and land improvements; buildings and building improvements, infrastructure, vehicles, data processing equipment and other equipment that met the capitalization threshold recommended by GASB 35. These assets have accumulated depreciation of $22.5 million, leaving a net asset amount of $89.1 million.

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

| | June 30, 2015 | June 30, 2014 | Change |
|---|---|---|---|
| Land & Improvements | 160,000 | 160,000 | 0 |
| Work In Progress | 728,519 | 23,721,505 | (22,992,986) |
| Buildings & Improvements | 85,925,387 | 63,812,916 | 22,112,471 |
| Equipment | 2,296,063 | 2,241,690 | 54,373 |
| Total | 89,109,969 | 89,936,111 | (826,142) |

## ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

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

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

# BASIC FINANCIAL STATEMENTS

**IMPERIAL COMMUNITY COLLEGE DISTRICT**
**STATEMENT OF NET POSITION**
**JUNE 30, 2015**

| | District | Imperial Valley College Foundation |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash in county treasury | $ 12,611,278 | $ - |
| Cash in banks | 115,227 | 237,353 |
| Cash with fiscal agent | 260,127 | - |
| Investments | - | 1,734,936 |
| Revolving cash | 18,028 | - |
| Accounts receivable, net | 3,041,842 | - |
| Stores inventory | 20,779 | - |
| Total current assets | 16,067,281 | 1,972,289 |
| Non-current assets: | | |
| Capital assets, net of accumulated depreciation | 89,109,969 | 15,000 |
| **TOTAL ASSETS** | 105,177,250 | 1,987,289 |
| **DEFERRED OUTFLOWS OF RESOURCES** | 2,574,536 | - |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable | 1,715,287 | - |
| Temporary loans | 4,000,000 | - |
| Unearned revenue | 3,194,345 | - |
| Compensated absences | 693,753 | - |
| Bonds payable - current portion | 2,389,073 | - |
| Accreted interest - current portion | 290,927 | - |
| Bond premium - current portion | 16,521 | - |
| Total current liabilities | 12,299,906 | - |
| Non-current liabilities: | | |
| Bonds payable | 74,276,929 | - |
| Bond premium | 408,892 | - |
| Accreted interest | 6,683,200 | - |
| Net pension liability | 28,603,992 | - |
| Net OPEB obligation | 13,124,461 | - |
| Total non-current liabilities | 123,097,474 | - |
| **TOTAL LIABILITIES** | 135,397,380 | - |
| **DEFERRED INFLOWS OF RESOURCES** | 7,837,292 | - |
| **NET POSITION** | | |
| Restricted - expendable | 4,789,412 | 445,350 |
| Restricted - non expendable | - | 1,359,279 |
| Unrestricted | (40,272,298) | 182,660 |
| **TOTAL NET POSITION** | $ (35,482,886) | 1,987,289 |

See the accompanying notes to the financial statements

**IMPERIAL COMMUNITY COLLEGE DISTRICT**
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**JUNE 30, 2015**

| | District | Imperial Valley College Foundation |
|---|---|---|
| **OPERATING REVENUES** | | |
| Tuition and fees | $ 2,353,129 | $ - |
| Grants and contracts, non-capital: | | |
| Federal | 22,723,261 | - |
| State | 8,144,542 | - |
| Local | 404,859 | 436,725 |
| Sales and Commissions | 109,954 | - |
| **TOTAL OPERATING REVENUES** | 33,735,745 | 436,725 |
| **OPERATING EXPENSES** | | |
| Academic salaries | 19,440,711 | - |
| Classified salaries | 9,121,773 | 115,857 |
| Employee benefits | 14,439,254 | 14,969 |
| Supplies, materials and other operating expenses | 5,737,117 | 65,750 |
| Financial aid | 21,956,467 | 219,319 |
| Utilities | 933,824 | - |
| Interest and fiscal charges | 4,001,649 | - |
| Depreciation | 2,779,936 | - |
| **TOTAL OPERATING EXPENSES** | 78,410,731 | 415,895 |
| **OPERATING INCOME (LOSS)** | (44,674,986) | 20,830 |
| **NON-OPERATING REVENUES** | | |
| State apportionments, non-capital | 29,011,065 | - |
| Local property taxes | 8,666,350 | - |
| State taxes and other revenue | 2,751,097 | - |
| Interest and investment income | 71,296 | 76,499 |
| Net realized gain on investments | - | 11,605 |
| Net unrealized gain on investments | - | (35,256) |
| **TOTAL NON-OPERATING REVENUES** | 40,499,808 | 52,848 |
| **INCREASE (DECREASE) IN NET POSITION** | (4,175,178) | 73,678 |
| **NET POSITION, BEGINNING OF YEAR** | 1,316,562 | 1,913,611 |
| **RESTATEMENT OF BEGINNING NET POSITION (Note 18)** | (32,624,270) | - |
| **NET POSITION, END OF YEAR** | $ (35,482,886) | $ 1,987,289 |

See the accompanying notes to the financial statements

**IMPERIAL COMMUNITY COLLEGE DISTRICT**
**STATEMENT OF CASH FLOWS**
**JUNE 30, 2015**

| | District | Imperial Valley College Foundation |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Tuition and fees | $ 2,353,129 | $ - |
| Federal grants and contracts | 22,723,261 | - |
| State grants and contracts | 8,144,542 | - |
| Local grants and contracts | 404,859 | 436,725 |
| Sales and commissions | 109,954 | - |
| Payments to suppliers | (6,670,941) | (65,750) |
| Payments to/on behalf of employees | (42,817,933) | (130,826) |
| Payments to/on behalf of students | (21,956,467) | (219,319) |
| **NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | (37,709,596) | 20,830 |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES** | | |
| State apportionment and other receipts | 37,689,451 | - |
| Property taxes | 8,666,350 | - |
| **NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES** | 46,355,801 | - |
| **CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES** | | |
| Purchase of capital assets | (780,431) | - |
| Principal paid on capital debt | (2,487,436) | - |
| Interest paid on capital debt | (1,786,278) | - |
| **NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES** | (5,054,145) | - |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of investments | - | (20,827) |
| Interest on investments | 71,296 | 76,499 |
| **NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES** | 71,296 | 55,672 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 3,663,356 | 76,502 |
| **CASH BALANCE, BEGINNING OF YEAR** | 9,341,304 | 160,851 |
| **CASH BALANCE, END OF YEAR** | $ 13,004,660 | $ 237,353 |
| **CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | | |
| Operating income (loss) | $ (44,674,986) | $ 73,678 |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | 2,779,936 | - |
| Net Unrealized Loss On Investments | - | 35,256 |
| Changes in assets and liabilities: | | |
| Receivables, net | 3,954,364 | - |
| Stores inventory | 937 | - |
| Accounts payable | (127,429) | - |
| Temporary loans | (700,000) | - |
| Unearned revenue | 1,059,192 | - |
| Compensated absences | (1,610) | - |
| **NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | $ (37,709,596) | $ 108,934 |

See the accompanying notes to the financial statements

**IMPERIAL COMMUNITY COLLEGE DISTRICT**
**STATEMENT OF FIDUCIARY NET POSITION**
**JUNE 30, 2015**

| | Associated Students Trust | Scholarship and Loan Trust | Campus Organizations | Representation Fee Trust | Totals |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash on hand and in banks | 104,214 | 11,361 | 115,135 | - | 230,710 |
| Accounts receivable | - | - | - | - | - |
| **TOTAL ASSETS** | 104,214 | 11,361 | 115,135 | - | 230,710 |
| **LIABILITIES AND NET POSITION** | | | | | |
| **CURRENT LIABILITIES** | | | | | |
| Accounts payable | - | - | - | - | - |
| Due to governmental funds | - | - | - | - | - |
| **TOTAL LIABILITIES** | - | - | - | - | - |
| **NET POSITION** | | | | | |
| Restricted | 104,214 | 11,361 | 115,135 | - | 230,710 |
| Unrestricted | - | - | - | - | - |
| **TOTAL NET POSITION** | 104,214 | 11,361 | 115,135 | - | 230,710 |
| **TOTAL LIABILITIES AND NET POSITION** | 104,214 | 11,361 | 115,135 | - | 230,710 |

See the accompanying notes to the financial statements

**IMPERIAL COMMUNITY COLLEGE DISTRICT**
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**
**JUNE 30, 2015**

| | Associated Students Trust | Scholarship and Loan Trust | Campus Organizations | Representation Fee Trust | Totals |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Local revenues | $ 79,958 | $ 187,828 | $ 144,226 | $ 19,283 | $ 431,295 |
| Interest and investment income | 67 | 15 | 19 | - | 101 |
| **TOTAL REVENUES** | 80,025 | 187,843 | 144,245 | 19,283 | 431,396 |
| **EXPENDITURES** | | | | | |
| Classified salaries | 7,563 | - | - | - | 7,563 |
| Scholarships and loans | - | 187,269 | - | - | 187,269 |
| Other operating expenses | 72,624 | - | 122,246 | 19,283 | 214,153 |
| Capital outlay | 27,927 | - | - | - | 27,927 |
| **TOTAL EXPENDITURES** | 108,114 | 187,269 | 122,246 | 19,283 | 436,912 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | (28,089) | 574 | 21,999 | - | (5,516) |
| **NET POSITION, BEGINNING OF YEAR** | 132,303 | 10,787 | 93,136 | - | 236,226 |
| **NET POSITION, END OF YEAR** | $ 104,214 | $ 11,361 | $ 115,135 | $ - | $ 230,710 |

See the accompanying notes to the financial statements

# NOTES TO FINANCIAL STATEMENTS

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

### A. Basis of Presentation

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

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

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

### B. Reporting Entity

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

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

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

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Basis of Accounting

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

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

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

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

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

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

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

### D. Encumbrances

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

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

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

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

2. Accounts Receivable

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

3. Inventory

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

4. Compensated Absences

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

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued)

5. Capital Assets

Capital assets are recorded at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Buildings as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized.

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

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

6. Net Position

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

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

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

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

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Unearned Revenue

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

F. Property Tax

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

G. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan), and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and Cal STRS Financial office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

| | |
|---|---|
| Valuation Date (VD) | June 30, 2013 |
| Measurement Date (MD) | June 30, 2014 |
| Measurement Period (MP) | July 1, 2013 to June 30, 2014 |

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

### H. Classification of Revenues

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

### I. Tuition and Fees

Student tuition and fee revenues, and certain other revenues from students, are reported in the statement of revenues, expenses, and changes in net position. Certain governmental grants, such as Pell Grants, and other federal, state or nongovernmental programs are recorded as operating revenues in the District's financial statements.

### J. Accounting Changes

As a result of the adoption of GASB Statements No. 34 and No. 35, the District was also required to make certain changes in accounting principles, specifically the adoption of depreciation on capital assets for all funds and the recording of long-term debt. Net position at July 1, 2014 was decreased $6,930,816 for the cumulative effect of these changes on years prior to fiscal year ended June 30, 2015.

### K. Use of Estimates

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

### L. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

### M. Changes in Accounting Policies

In June 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27," which is effective for fiscal years beginning after June 15, 2014. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

The Statement requires numerous new pension disclosures in the notes to the financial statements and two new 10-year schedules as required supplementary information. Also, for the first time the District is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions, a net pension liability for its proportionate shares of the collective pension expense, collective deferred outflows of resources and deferred inflows of resources related to pensions, and collective net pension liability. The reporting of these new amounts on the government-wide financial statements, along with the effect of the restatement of the beginning net position, if any, will also affect the District's statement of net position.

In November, 2013 the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68". This statement amends Paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflows of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

## NOTE 2 - CASH AND INVESTMENTS

### Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Imperial County Treasury as part of the common investment pool ($12,611,278 as of June 30, 2015). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $12,611,278. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

## NOTE 2 - CASH AND INVESTMENTS (Continued)

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

Cash on Hand, in Banks, and in Revolving Funds

Cash balances on hand and in banks ($345,937 as of June 30, 2015) and in the revolving fund ($18,028) are insured up to $250,000 by the Federal Depository Insurance Corporation.

Investments

The District's investments in cash with a fiscal agent at June 30, 2015 are shown below:

| Investment or Investment Type | Average Days to Maturity | Amounts Reported | Fair Value |
|---|---|---|---|
| First American Treasury Obligations | <30 | $ 260,127 | $ 260,127 |

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The Imperial County Investment Pool is rated AA+ by Standard & Poors.

## NOTE 2 - CASH AND INVESTMENTS (Continued)

b. Custodial Credit Risk

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

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

As of June 30, 2015, the District's bank balances (including revolving cash) of $363,965 was fully insured by the FDIC and was not exposed to custodial credit risk.

c. Concentration of Credit Risk

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

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

## NOTE 2 - CASH AND INVESTMENTS (Continued)

Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at a time of purchase. The "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

## NOTE 3 - ACCOUNTS RECEIVABLE

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable at June 30, 2015 consists of the following:

| | |
|---|---|
| Federal | $ 637,111 |
| State Apportionment | 301,144 |
| Other State | 427,989 |
| Lottery | 572,364 |
| Local | 1,081,208 |
| Interest | 22,026 |
| Total | $ 3,041,842 |

## NOTE 4 - ACCOUNTS PAYABLE

Accounts payable balances at June 30, 2015 consists of the following:

| | |
|---|---|
| Vendor payables | $ 496,086 |
| Salaries and benefits | 75,615 |
| State preschool | 12,749 |
| Pension liabilities | 3,420 |
| Financial aid | 379,476 |
| Accrued interest | 747,941 |
| Total | $ 1,715,287 |

## NOTE 5 - CAPITAL ASSETS

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

| | Balance July 1, 2014 | Net Change in Capital Assets | Balance June 30, 2015 |
|---|---|---|---|
| Capital Assets | | | |
| Land | $ 160,000 | $ - | $ 160,000 |
| Site Improvements | 15,620,768 | 83,331 | 15,704,099 |
| Buildings | 65,219,960 | 24,558,254 | 89,778,214 |
| Equipment | 5,002,252 | 305,195 | 5,307,447 |
| Work in Progress | 23,721,505 | (22,992,986) | 728,519 |
| Total Cost | 109,724,485 | 1,953,794 | 111,678,279 |
| Accumulated Depreciation | | | |
| Site Improvements | (3,593,242) | (761,159) | (4,354,401) |
| Buildings | (13,434,570) | (1,767,955) | (15,202,525) |
| Equipment | (2,760,562) | (250,822) | (3,011,384) |
| Total Accumulated Depreciation | (19,788,374) | (2,779,936) | (22,568,310) |
| Net Capital Assets | $ 89,936,111 | $ (826,142) | $89,109,969 |

## NOTE 6 - INTERFUND TRANSACTIONS

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

## NOTE 7 - BONDS PAYABLE

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

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

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

## NOTE 7 - BONDS PAYABLE (Continued)

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

In May 2009, the District issued $3,031,779 in General Obligation Bonds in order to provide funding for college facilities projects as stated in the ballot measure for the District. Interest is payable semi-annually on February 1 and August 1 of each year at variable interest rates ranging from 3.6%-6.9% commencing August 1, 2009. Principal is payable on August 1 of each year commencing August 1, 2009, and through the maturity date August 1, 2033.

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

In January 2011, the District issued $9,405,512 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 Term Bonds with an interest rate of 5.00% due August 1, 2041, (b) $7,980,000 Current Interest Bonds with an interest rate of 4.625% due August 1, 2041, (c) $1,965,733 Capital Appreciation Bonds with interest rates ranging from 3.95% to 7.99% due August 1, 2016 through August 2034, and (d) $3,087,206 Convertible Capital Appreciation Bonds with interest rates ranging from 4.50% to 5.10% due August 2029 through August 2037.

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

## NOTE 7 - BONDS PAYABLE (Continued)

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

The outstanding bonded debt of the District as of June 30, 2015 is as follows:

| Date of Issuance | Interest Rate | Maturity Date | Original Issue | Amounts Outstanding July 1, 2014 | Issued Current Year | Redeemed Current Year | Amounts Outstanding June 30, 2015 |
|---|---|---|---|---|---|---|---|
| 2002 | 1.4%-5.0% | 2017 | $ 3,370,000 | $ 1,100,000 | $ - | $ 255,000 | $ 845,000 |
| 2005 | 3.3%-7.0% | 2029 | 24,500,000 | 20,100,000 | - | 790,000 | 19,310,000 |
| 2006 | 4.0%-4.3% | 2031 | 13,285,473 | 11,755,473 | - | 315,000 | 11,440,473 |
| 2007 | 4.0%-7.0% | 2032 | 11,915,816 | 10,525,816 | - | 390,000 | 10,135,816 |
| 2009 | 3.6%-6.9% | 2034 | 3,031,779 | 3,031,779 | - | 12,436 | 3,019,343 |
| 2009 | 6.9% | 2038 | 5,866,919 | 5,866,919 | - | - | 5,866,919 |
| 2011 | 3.5%-7.0% | 2027 | 9,405,512 | 9,405,512 | - | - | 9,405,512 |
| 2014 | 3.5%-7.99% | 2038 | 16,642,939 | 16,942,939 | - | - | 16,642,939 |
| | Totals | | $ 88,018,438 | $ 78,428,438 | $ - | $ 1,762,436 | $ 76,666,002 |

Debt service requirements on lease revenue bonds and general obligation bonds outstanding as of June 30, 2015 is as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2016 | $ 2,389,073 | $ 2,391,596 | $ 4,780,669 |
| 2017 | 2,452,428 | 2,435,239 | 4,887,667 |
| 2018 | 2,708,191 | 2,397,738 | 5,105,929 |
| 2019 | 1,882,265 | 3,261,339 | 5,143,604 |
| 2020 | 2,294,292 | 2,993,211 | 5,287,503 |
| 2021-2025 | 12,901,053 | 17,435,616 | 30,336,669 |
| 2026-2030 | 16,985,424 | 19,102,000 | 36,087,424 |
| 2031-2035 | 9,989,444 | 34,573,398 | 44,562,842 |
| 2036-2040 | 13,376,770 | 28,474,951 | 41,851,721 |
| 2041-2045 | 11,687,062 | 2,268,541 | 13,955,603 |
| Totals | $ 76,666,002 | $ 115,333,629 | $ 191,999,631 |

## NOTE 7 - BONDS PAYABLE (Continued)

Note: Amounts represented in the repayment schedule for accreted interest are reflective of 100% of amounts to be repaid. Amounts represented as accreted interest in the debt summary are reflective of amounts that have accrued as of June 30, 2015.

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

## NOTE 8 – BOND PREMIUM

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

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

| | 2014A GOB |
|---|---|
| Total Interest | $ 19,800,232 |
| Less Bond Premium | (446,064) |
| Net Interest | $ 19,354,168 |
| | |
| Par Amounts of Bonds | 16,642,939 |
| Periods | 27 |
| Effective Interest Rate | 4.30% |

## NOTE 9 – COPS PAYABLE

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

| Date of Issuance | Interest Rate | Maturity Date | Amounts Original Issue | Outstanding July 1, 2014 | Issued Current Year | Amounts Redeemed Current Year | Outstanding June 30, 2015 |
|---|---|---|---|---|---|---|---|
| 2004 | 2.5%-4.9% | 2014 | $ 3,500,000 | $ 725,000 | $ - | $ 725,000 | $ - |

## NOTE 10 - GENERAL LONG-TERM DEBT

Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 2015 is shown below:

| | Balance July 1, 2014 | Increases | Decreases | Balance June 30, 2015 | Amount Due In One Year |
|---|---|---|---|---|---|
| Bonds Payable | $ 78,428,438 | $ - | $ 1,762,436 | $ 76,666,002 | $ 2,389,073 |
| Bond Premium | 441,934 | - | 16,521 | 425,413 | 16,521 |
| COPS Payable | 725,000 | - | 725,000 | - | - |
| Accreted Interest | 4,924,155 | 2,052,536 | 2,564 | 6,974,127 | 290,927 |
| Net Pension Liability | 36,094,165 | - | 7,490,173 | 28,603,992 | - |
| Net OPEB Obligation | 11,086,016 | 3,563,326 | 1,524,881 | 13,124,461 | - |
| Totals | $131,699,708 | $ 5,615,862 | $ 11,521,575 | $125,793,995 | $ 2,696,521 |

## NOTE 11 - TEMPORARY LOANS

In March 2015, the District entered into the Imperial County 2014-15 Mid-Year Tax and Revenue Anticipation Notes (TRANS) in the amount of $4,000,000. The notes mature on February 26, 2016 and were sold to supplement the District's cash flows and bear interest at a rate of 2.00%. Principal and interest on the notes will be paid through taxes, income, revenue, and cash receipts received by the District which are considered unrestricted revenues. The notes are secured by a pledge of unrestricted revenues to be received by the District during the 2014-15 fiscal year, an amount equal to 100% of the principal and interest and on the notes at maturity. Total repayment includes $4,000,000 in principal and estimated interest in the amount of $75,111. Total temporary loan balance at June 30, 2015 is $4,000,000 in principal.

## NOTE 12 - UNEARNED REVENUE

Unearned revenue consists of federal, state, and local revenues that have been received as of June 30, 2015 for the subsequent 2015-16 fiscal year. As of June 30, 2015 the District's unearned revenue balance consists of the following:

| | General Fund |
|---|---|
| Federal Revenues | $ 39,575 |
| State Revenues | 1,647,054 |
| Parking Fees | 294,159 |
| Other Local Revenues | 1,213,557 |
| Total | $ 3,194,345 |

## NOTE 13 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Imperial Community College District (District) administers a single-employer healthcare plan (Plan). For faculty members, the plan provides lifetime retiree health, dental, and vision benefits to eligible retirees and their dependents. Eligibility for retiree benefits requires retirement on or after a minimum age of 55 up to age 60 with at least fourteen years of eligible service. Retirement on or after age 61 up to age 64 requires age plus service to meet or exceed seventy-four while retirement on or after age 65 requires nine years of service. For faculty hired prior to July 1, 1983, retirement on or after age 55 requires only eight years of service. Certificated employees hired after June 30, 2012 are not eligible for District-paid retiree health benefits.

For classified employees, the plan provides lifetime retiree health, dental, vision benefits to eligible retirees and their dependents. Eligibility for retiree benefits requires retirement on or after a minimum age of 50 with at least twelve years of eligible service. In addition, the retiree age plus years of service must be at least seventy to be eligible for retiree benefits. Lifetime benefits are provided for retirees and dependents with the exception of vision benefits which expire after the retiree reaches age 65. Classified employees hired after June 30, 2010 are not eligible for retiree health benefits.

Membership of the plan consists of approximately 278 eligible active employees and 186 eligible retirees.

Contribution Information

The contribution requirements of Plan members and the District are established and amended by the District and the local California Service Employees Association (CSEA) for classified staff and the California Teachers Association (CTA) for faculty. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-15, the District contributed to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

## NOTE 13 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

| | | |
|---|---|---|
| Annual required contribution | $ | 3,563,326 |
| Interest on net OPEB obligation | | - |
| Adjustments to annual required contribution | | - |
| Annual OPEB cost (expense) | | 3,563,326 |
| Contribution made | | (1,524,881) |
| Increase in net OPEB obligation | | 2,038,445 |
| Net OPEB obligation, beginning of year | | 11,086,016 |
| Net OPEB obligation, end of year | $ | 13,124,461 |

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2015 is as follows:

| Year Ended June 30, | | Annual OPEB Cost | Percentage Contribution | | Net OPEB Obligation |
|---|---|---|---|---|---|
| 2013 | $ | 2,565,899 | 63.7% | $ | 8,928,608 |
| 2014 | $ | 3,563,326 | 39.4% | $ | 11,086,016 |
| 2015 | $ | 3,563,326 | 42.8% | $ | 13,124,461 |

Funding Status and Funding Progress

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

Actuarial Methods and Assumptions

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

## NOTE 13 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

In the September 1, 2013 actuarial valuation, the actuarial cost method used was the entry age normal cost method. Under this method, an average age at hire and average retirement age are determined for eligible employees. Then, it is determined what amount needs to be expensed each year from hire to retirement to fully accrue the expected cost of retiree health benefits. This amount is the normal cost and is expressed as a level percentage of payroll where the amortization payment would increase each year based on covered payroll. The normal cost for a plan year is the expected increase in the accrued liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the employer were included in the valuation.

Medical cost trend rates were assumed to be 4% per year. The UAAL is being amortized at a level percentage of payroll method with the remaining amortization period at July 1, 2015 of 23 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

## NOTE 14 - COMMITMENTS AND CONTINGENCIES

### Litigation

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

### Sick Leave

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

### State and Federal Allowances, Awards and Grants

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

## NOTE 15 – PENSION PLANS

General Information About the Pension Plans

Plan Descriptions

Qualified employees are covered under multiple-employer defined benefit pension 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). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

Benefits Provided

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

The Plan's provisions and benefits in effect at June 30, 2014 (measurement date) are summarized as follows:

| | CalSTRS | | CalPERS | |
|---|---|---|---|---|
| | Before | On or After | Before | On or After |
| Hire Date | January 1, 2013 | January 1, 2013 | January 1, 2013 | January 1, 2013 |
| Benefit Formula | 2% at 60 | 2% at 62 | 2% at 55 | 2% at 62 |
| Benefit Vesting Schedule | 5 Years | 5 Years | 5 Years | 5 Years |
| Benefit Payments | Monthly for Life | Monthly for Life | Monthly for Life | Monthly for Life |
| Retirement Age | 50-62 | 55-67 | 50-62 | 52-67 |
| Monthly benefits, as a % of eligible compensation | 1.1 - 2.4% | 1.0 - 2.4%* | 1.1 - 2.5% | 1.0 - 2.5% |
| Required employee contibution rates (Average) | 8.000% | 8.000% | 6.974% | 6.974% |
| Required employer contibution rates | 8.250% | 8.250% | 11.442% | 11.442% |

*Amounts are limited to 120% of Social Security Wage Base.

## NOTE 15 – PENSION PLANS (Continued)

Contibutions – CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.442% of annual payroll.

Contributions – CalSTRS

For the measurement period ended June 30, 2014 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 8% of the creditable compensation upon which members' contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 8.25% of creditable compensation. Rates are defined in Section 2950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2014 (measurement date) the State contributed 5.204002% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements; however, on behalf payments have been excluded from the calculation of available reserves.

## NOTE 15 – PENSION PLANS (Continued)

Contributions Recognized and Pension Expenses

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

| | CalSTRS | CalPERS |
|---|---|---|
| Contributions - Employer | $ 792,265 | $ 863,805 |
| Contributions - Employee | 795,258 | 534,353 |
| Contributions - State on Behalf Payments | 484,214 | - |
| Total Contributions | $ 2,071,737 | $ 1,398,158 |

Pension expense for each Plan were as follows:

| | CalSTRS | CalPERS |
|---|---|---|
| Change in Net Pension Liability | $ (4,550,037) | $ (2,940,135) |
| Net difference between projected and actual earnings on plan investments | 5,036,500 | 2,800,791 |
| Total employer and state contributions | 2,071,737 | 1,398,158 |
| Total Pension Expense | $ 2,558,200 | $ 1,258,814 |

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

| | Proportionate Share of Net Pension Liability |
|---|---|
| CalSTRS | $ 20,452,944 |
| CalPERS | 8,151,048 |
| Total Net Pension Liability | $ 28,603,992 |

## NOTE 15 – PENSION PLANS (Continued)

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined. Although a valid comparison of the District's proportion at June 30, 2014 to its proportion at June 30, 2013 is not available in the first year of implementation of GASB Statement No. 68, that disclosure will be available in subsequent years.

The District's proportionate share of the net position liability for each Plan as of June 30, 2013 and 2014 was as follows:

| | CalSTRS | CalPERS |
|---|---|---|
| Proportionate - June 30, 2013 | 0.0350% | 0.0718% |
| Proportionate - June 30, 2014 | 0.0350% | 0.0718% |
| Change - Increase (Decrease) | - | - |

For the year ended June 30, 2015, the District recognized pension expense of $3,817,014. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 2,574,536 | $ - |
| Differences between actual and expected experience | - | - |
| Changes in assumptions | - | - |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | - | - |
| Net differences between projected and actual earnings on plan investments | - | (7,837,292) |
| Total | $ 2,574,536 | $ (7,837,292) |

## NOTE 15 – PENSION PLANS (Continued)

$2,574,536 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended June 30, | Amount |
|---|---|
| 2016 | $ (1,959,323) |
| 2017 | (1,959,323) |
| 2018 | (1,959,323) |
| 2019 | (1,959,323) |
| Total | $ (7,837,292) |

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

| | CalSTRS | | CalPERS | |
|---|---|---|---|---|
| Valuation Date | June 30, 2013 | | June 30, 2013 | |
| Measurement Date | June 30, 2014 | | June 30, 2014 | |
| Acturial Cost Method | Entry Age - Normal Cost Method for both CalSTRS & CalPERS | | | |
| Actuarial Assumptions: | | | | |
| Discount Rate | 7.5% | | 7.5% | |
| Inflation | 3.0% | | 2.75% | |
| Payroll Growth | 3.75% | | 3.00% | |
| Projected Salary Increase | 0.05%-5.6% | (1) | 3.20%-10.80% | (1) |
| Investment Rate of Return | 0.08% | (2) | 7.5% (2) | (2) |
| Mortality | .013%-0.435% | (3) | 0.00125%-0.45905% | (3) |

(1) Depending on age, service, and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) Depending on age, gender, and type of job

## NOTE 15 – PENSION PLANS (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each plan. To determine whether the District bond rate should be used in the calculation of a discount rate for each Plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.5% discount rate is adequate and the use of the District bond rate calculation is not necessary. The long-term expected discount rate of 7.5% will be applied to all plans in the CalSTRS and CalPERS retirement funds. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expneses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds asset classes, expected compound returns were calculated over the short-term (first 10 years) and 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 quarter of one percent.

## NOTE 15 – PENSION PLANS (Continued)

The table below reflects the 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 rates of return are net of administrative expenses.

| Asset Class | Strategic Allocation | Real Return (Years 1-10)(1) | Real Return (Years 11+)(2) |
|---|---|---|---|
| Global Equity | 47.00% | 5.25% | 5.71% |
| Global Fixed Income | 19.00% | 0.99% | 2.43% |
| Inflation Sensitive | 6.00% | 0.45% | 3.36% |
| Private Equity | 12.00% | 6.83% | 6.95% |
| Real Estate | 11.00% | 4.50% | 5.13% |
| Infrastructure and Forestland | 3.00% | 4.50% | 5.09% |
| Liquidity | 2.00% | -0.55% | -1.05% |

(1) An expected inflation of 2.5% used for this period.
(2) An expected inflation of 3.0% used for this period.

Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, 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 or 1 percentage point higher than the current rate:

| | CalSTRS | CalPERS |
|---|---|---|
| 1% Decrease | 6.50% | 6.50% |
| Net Pension Liability | $ 35,879,143 | $ 14,298,799 |
| Current Discount Rate | 7.50% | 7.50% |
| Net Pension Liability | $ 20,452,950 | $ 8,151,048 |
| 1% Increase | 8.50% | 8.50% |
| Net Pension Liability | $ 7,562,810 | $ 1,469,212 |

## NOTE 15 – PENSION PLANS (Continued)

Total Pension Liability, Pension Plan Fiduciary Net Position, and Net Pension Liability

CalSTRS

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balance at June 30, 2014 | $ 83,225,100 | $ 58,222,119 | $ 25,002,981 |
| Changes for the year: | | | |
| Service cost | 1,868,300 | - | 1,868,300 |
| Interest | 6,237,700 | - | 6,237,700 |
| Differences between expected and actual experience | - | - | - |
| Contributions - Employer | - | 792,265 | (792,265) |
| Contributions - Employee | - | 795,258 | (795,258) |
| Contributions - State On Behalf | - | 484,214 | (484,214) |
| Net investment income | - | 10,640,666 | (10,640,666) |
| Other income | | 719 | (719) |
| Benefit payments, including refunds | (4,212,250) | (4,212,250) | - |
| of employee contributions | - | (54,010) | 54,010 |
| Administrative expenses | - | (3,075) | 3,075 |
| Other expenses | 3,893,750 | 8,443,787 | (4,550,037) |
| Net Changes | | | |
| Balance at June 30, 2015 | $ 87,118,850 | $ 66,665,906 | $ 20,452,944 |

## NOTE 15 – PENSION PLANS (Continued)

CalPERS

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balance at June 30, 2014 | $ 46,695,946 | $ 35,604,763 | $ 11,091,183 |
| Changes for the year: | | | |
| Service cost | 1,131,587 | - | 1,131,587 |
| Interest | 3,460,127 | - | 3,460,127 |
| Differences between expected and actual experience | - | - | - |
| Contributions - Employer | - | 863,805 | (863,805) |
| Contributions - Employee | - | 534,353 | (534,353) |
| Net investment income | - | 6,133,691 | (6,133,691) |
| Other income | - | - | - |
| Benefit payments, including refunds of employee contributions | (2,253,430) | (2,253,430) | - |
| Administrative expenses | - | - | - |
| Other expenses | - | - | - |
| Net Changes | 2,338,284 | 5,278,419 | (2,940,135) |
| Balance at June 30, 2015 | $ 49,034,230 | $ 40,883,182 | $ 8,151,048 |

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

## NOTE 16 - RISK MANAGEMENT

Description

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

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has one self-insurance fund (Internal Service Fund) to account for and finance its uninsured risks of loss. The General and Internal Service Funds provide dental and vision coverage to employees.

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

## NOTE 17 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

The Imperial Community College District participates in two joint powers agreements (JPA's) with the Imperial County School Districts Property and Liability Authority (ICSDPL) and the Self-Insured Program for Imperial County (SIPIC). The relationship between the Imperial Community College District and the JPA's is such that the JPA's are not 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, 2015 was not available at the time this report was issued. The information can be obtained by contacting the JPA directly.

## NOTE 18 – ADJUSTMENT TO BEGINNING NET POSITION

The District implemented GASB Statement No. 68 & 71 during the current fiscal year which resulted in accounting changes for net pension liability. Under previous standards, net pension liability was not recorded on the statement of net position. Under newly implemented standards the net pension liability is recorded as a liability on the statement of net position. In addition, resulting from a difference in the measurement date for the net pension liability, any contributions to pensions subsequent to the measurement date are now recorded as deferred outflows of resources.

## NOTE 18 – ADJUSTMENT TO BEGINNING NET POSITION (Continued)

The change due to new accounting policies resulted in an adjustment to beginning net position as follows:

| | | |
|---|---|---|
| Net Position, Beginning (As Originally Stated) | $ | 1,316,562 |
| Adjustments for: | | |
| Change in Accounting Policy - Net Pension Liability | | (36,094,165) |
| Change in Accounting Policy - Deferred Outflows Pension Related | | 3,469,895 |
| Total Adjustments | | (32,624,270) |
| Net Position, Beginning (As Restated) | $ | (31,307,708) |

## NOTE 19 – CONSTRUCTION COMMITMENTS

As of June 30, 2015, the district had no significant commitments with respect to capital projects.

## NOTE 20 – COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

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

| Violation | Action Taken |
|---|---|
| None Reported | Not Applicable |

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

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

| Fund Name | Deficit Amount/Remarks |
|---|---|
| None Reported | Not Applicable |

## NOTE 21 - FUNCTIONAL EXPENSES

Functional expenses for consolidated District governmental funds as of June 30, 2015 are as follows:

| | Salaries and Benefits | Operating Expenses | Capital Outlay | Other Outgo | Total |
|---|---|---|---|---|---|
| Instructional Activities | $ 16,790,075 | $ 496,886 | $ 208,485 | $ - | $ 17,495,446 |
| Academic Support | 9,325,879 | 1,286,462 | 265,837 | - | 10,878,178 |
| Student Services | 3,539,363 | 473,850 | 41,000 | - | 4,054,213 |
| Operations and Maintenance | 2,083,557 | 1,752,312 | 2,060,862 | - | 5,896,731 |
| Institutional Support | 5,631,975 | 1,380,656 | 117,669 | - | 7,130,300 |
| Community Services | 17,690 | 58,374 | 8,625 | - | 84,689 |
| Ancillary Services | 1,095,461 | 414,015 | 52,992 | - | 1,562,468 |
| Auxiliary Operations | 443,304 | - | - | - | 443,304 |
| Long-Term Debt | - | - | - | 4,280,424 | 4,280,424 |
| Student Aid | - | - | - | 21,956,467 | 21,956,467 |
| Totals | $ 38,927,304 | $ 5,862,555 | $ 2,755,470 | $ 26,236,891 | $ 73,782,220 |

## NOTE 22 – SUBSEQUENT EVENTS

New Accounting Pronouncement

GASB Statement No. 72

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, Fair Value Measurement and Application. The primary objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement requires a government to use valuation techniques that are appropriate under circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches:

The Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The Cost Approach: This approach reflects the amount that would be required to replace the present service capacity of the asset.

The Income Approach: This approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

## NOTE 22 – SUBSEQUENT EVENTS (Continued)

In addition to establishing fair value techniques the Statement establishes a hierarchy of inputs to valuation techniques and requires additional note disclosures about fair value in the financial statements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

The Statement is effective for years beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

GASB Statement No. 76

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles For State and Local Governments. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55 and is effective for financial statement periods beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

# SUPPLEMENTARY INFORMATION

## IMPERIAL COMMUNITY COLLEGE DISTRICT
## ORGANIZATION
## JUNE 30, 2015

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

The Governing Board for the fiscal year ended June 30, 2015 was composed of the following members:

| Name | Office | Term Expires |
|---|---|---|
| Romualdo J. Medina | President | November 2016 |
| Jerry D. Hart | Clerk | November 2016 |
| Karla A. Sigmond | Board Member | November 2018 |
| Rudy Cardenas, Jr. | Board Member | November 2016 |
| Juanita Salas | Board Member | November 2018 |
| Louis Wong | Board Member | November 2016 |
| Steven M. Taylor | Board Member | November 2018 |

### EXECUTIVE AND SENIOR ADMINISTRATION

Victor M. Jaime, Ed.D
Superintendent/President

John Lau
Vice President for Business Services

Nicholas Akinkuoye
Vice President for Academic Services

Sergio Lopez
Interim Vice President for Student Services

Shawn P. Larry
Chief Human Resources Officer

**IMPERIAL COMMUNITY COLLEGE DISTRICT**
**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT**
**ANNUALIZED ATTENDANCE AS OF JUNE 30, 2015**

| Categories | Reported And Audited Annual FTES |
|---|---|
| A. Summer Intersession (Summer 2014 only) | |
| 1. Noncredit | - |
| 2. Credit | 91.41 |
| B. Summer Intersession (Summer 2015-Prior to July 1, 2015) | |
| 1. Noncredit | - |
| 2. Credit | 500.34 |
| C. Primary Terms (Exclusive of Summer Intersession) | |
| 1. Census Procedure Courses | |
| (a) Weekly Census Contact Hours | 5,247.40 |
| (b) Daily Census Contact Hours | 503.86 |
| 2. Actual Hours of Attendance Procedure Courses | |
| (a) Noncredit | 50.24 |
| (b) Credit | 202.42 |
| 3. Alternative Attendance Accounting Procedure | |
| (a) Weekly Census Procedure Courses | 243.57 |
| (b) Daily Census Procedure Courses | 25.39 |
| (c) Noncredit Independent Study | - |
| D. Total FTES | 6,864.63 |
| Supplemental Information (subset of above information) | |
| E. In-Service Training Courses (FTES) | 22.76 |
| F. Basic Skills Courses and Immigration Education | |
| Noncredit | 14.71 |
| Credit | 1,188.58 |
| CCFS 320 Addendum | |
| CDCP Noncredit FTES | 14.71 |
| Centers FTES | |
| (a) Noncredit | 50.24 |
| (b) Credit | 6,814.39 |
| Credit Student Headcount | |
| Fall Session-2014 | 7,879 |
| Winter Session-2014 | 2,298 |
| Spring Session-2015 | 7,435 |
| Gross Square Footage | |
| Existing Facilities | 365,970 |

**IMPERIAL COMMUNITY COLLEGE DISTRICT**
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)**
**WITH AUDITED FINANCIAL STATEMENTS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| Federal Grantor/Pass Through Grantor Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| U.S. Department of Education: | | | |
| Direct Programs: | | | |
| Financial Aid Cluster | | | |
| Pell Grant | 84.063 | N/A | $ 19,648,114 |
| Supplemental Educational Opportunity Grant | 84.007 | N/A | 209,639 |
| Federal College Work Study | 84.033 | N/A | 414,159 |
| Pell Administration | 84.063 | N/A | 26,220 |
| Total Financial Aid Cluster | | | 20,298,132 |
| TRIO Cluster | | | |
| TRIO - Student Support Services | 84.042 | N/A | 422,010 |
| TRIO - Talent Search | 84.044 | N/A | 321,291 |
| TRIO - Upward Bound | 84.047A | N/A | 584,863 |
| Total TRIO Cluster | | | 1,328,164 |
| Title V Project Atlas Grant | 84.031S | N/A | 516,570 |
| Passed Through State of California: | | | |
| State Vocational Rehabilitation | 84.126A | 28370 | 62,864 |
| Passed Through CCC State Chancellors Office: | | | |
| Perkins, CTE Transitions | 84.048 | 14-C01-022 | 43,269 |
| Perkins, Title I Part C | 84.048 | 14-C01-022 | 263,362 |
| Total U.S. Department of Education | | | 22,512,360 |
| U.S. Department of Labor: | | | |
| Passed Through Imperial County Workforce: | | | |
| WIA Cluster | | | |
| WIA Office Technology | 17.258 | 12163 | 14,692 |
| WIA Correctional Science | 17.258 | 12128 | 36,554 |
| WIA Welding Technology | 17.258 | 12162 | 1,990 |
| Total WIA Cluster | | | 53,236 |
| Total U.S. Department of Labor | | | 53,236 |
| U.S. National Science Foundation: | | | |
| Education and Human Resources | 47.076 | N/A | 57,065 |
| U.S. Department of Health and Human Services: | | | |
| Passed Through CCC State Chancellors Office: | | | |
| Temporary Assistance For Needy Families | 93.558 | - | 52,192 |
| U.S. Department of Veterans Affairs: | | | |
| Veterans Education | 64.116 | N/A | 2,078 |
| U.S. Department of Agriculture: | | | |
| Nutrition Program | 10.555 | N/A | 43,490 |
| Passed Through California Department of Education | | | |
| Summer Food Service Program | 10.559 | 13158 | 2,840 |
| Total U.S. Department of Agriculture | | | 46,330 |
| Total Expenditures of Federal Awards | | | $ 22,723,262 |

The accompanying notes are an integral part of this schedule

## IMPERIAL COMMUNITY COLLEGE DISTRICT
## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**Basis of Presentation:**

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT**
**SCHEDULE OF STATE FINANCIAL AWARDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| Program Name | Cash Received | Accounts Receivable | Unearned Income | Total | Total Program Expenditures |
|---|---|---|---|---|---|
| **State Awards:** | | | | | |
| Disabled Student Program and Services | $ 427,083 | $ - | $ - | $ 427,083 | $ 427,083 |
| Extended Opportunity Program and Services | 910,506 | - | 3,141 | 907,365 | 907,365 |
| Cal Grant | 1,913,515 | 11,948 | - | 1,925,463 | 1,925,463 |
| CalWorks | 225,712 | - | - | 225,712 | 225,712 |
| CalWorks Assessment | 502,377 | 51,462 | - | 553,839 | 553,839 |
| Care Program | 142,202 | - | 440 | 141,762 | 141,762 |
| Child Development Center | 460,605 | 104,493 | - | 565,098 | 548,360 |
| Foster Care | 39,640 | 39,641 | - | 79,281 | 79,281 |
| SB 70 Career Tech Grant | 257,219 | - | - | 257,219 | 257,219 |
| CTE Pathways Initiative | - | 6,662 | - | 6,662 | 6,662 |
| Enrollment Fee Administration | 132,037 | - | - | 132,037 | 132,037 |
| Basic Skills | 364,918 | - | 173,931 | 190,987 | 190,987 |
| CTE Enhancement Grant | 101,047 | 36,254 | - | 137,301 | 137,301 |
| Prop 39 Program Improvement Funding | - | 33,116 | - | 33,116 | 33,116 |
| Student Support and Success Program - Credit | 891,968 | - | 268,250 | 623,718 | 623,718 |
| Student Support and Success Program - Noncredit | 9,886 | - | - | 9,886 | 9,886 |
| Scheduled Maintenance | 707,979 | - | 380,323 | 327,656 | 327,656 |
| Student Equity | 530,358 | - | 422,151 | 108,207 | 108,207 |
| Behavioral Health | 216,049 | 41,162 | - | 257,211 | 257,211 |
| Apprentice Allowance | 8,124 | - | - | 8,124 | 8,124 |
| Nursing Grant | 78,287 | - | - | 78,287 | 78,287 |
| State Energy West Valley College | 75,000 | - | 51,806 | 23,194 | 23,194 |
| State Energy Chancellors Office | 10,000 | - | 5,682 | 4,318 | 4,318 |
| Regional Consortium IDRC Grant | 80,000 | 119,046 | - | 199,046 | 199,046 |
| AB 86 - Adult Education Consortium | 169,051 | 4,023 | - | 173,074 | 173,074 |
| Instructional Equipment - Block Grant | 406,167 | - | 70,468 | 335,699 | 335,699 |
| Enrollment Fee Waiver - ACA | 341,936 | - | - | 341,936 | 341,936 |
| Prop 39 Energy Funds 2013-14 | 233,683 | - | - | 233,683 | 233,683 |
| Prop 39 Energy Funds 2014-15 | 186,738 | - | 93,514 | 93,224 | 93,224 |
| **Total State Programs** | $ 9,422,087 | $ 447,807 | $ 1,469,706 | $ 8,400,188 | $ 8,383,450 |

The accompanying notes are an integral part of this schedule

# IMPERIAL COMMUNITY COLLEGE DISTRICT
# RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
# FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | | Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 | | | Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 | | |
|---|---|---|---|---|---|---|---|
| | Object/TOP Codes | Reported Data | Audit Adjustments | Revised Data | Reported Data | Audit Adjustments | Revised Data |
| **Academic Salaries:** | | | | | | | |
| Instructional Salaries | | | | | | | |
| Contract or Regular | 1100 | 7,861,077 | - | - | 7,861,077 | - | - |
| Other | 1300 | 4,902,905 | - | - | 4,955,846 | - | - |
| Total Instructional Salaries | | 12,763,982 | - | - | 12,816,923 | - | - |
| Non-Instructional Salaries | | | | | | | |
| Contract or Regular | 1200 | - | - | - | 3,238,171 | - | - |
| Other | 1400 | - | - | - | 161,690 | - | - |
| Total Non-Instructional Salaries | | - | - | - | 3,399,861 | - | - |
| **Total Academic Salaries** | | 12,763,982 | - | - | 16,216,784 | - | - |
| **Classified Salaries:** | | | | | | | |
| Non-Instructional Salaries | | | | | | | |
| Regular Status | 2100 | - | - | - | 6,087,664 | - | - |
| Other | 2300 | - | - | - | 115,597 | - | - |
| Total Non-Instructional Salaries | | - | - | - | 6,203,261 | - | - |
| Instructional Aides | | | | | | | |
| Regular Status | 2200 | 375,298 | - | - | 375,298 | - | - |
| Other | 2400 | 90,513 | - | - | 90,513 | - | - |
| Total Instructional Aides | | 465,811 | - | - | 465,811 | - | - |
| **Total Classified Salaries** | | 465,811 | - | - | 6,669,072 | - | - |
| **Employee Benefits** | 3000 | 3,752,968 | - | - | 8,848,835 | - | - |
| **Supplies and Materials** | 4000 | - | - | - | 571,274 | - | - |
| **Other Operating Expenses** | 5000 | - | - | - | 2,084,710 | - | - |
| **Equipment Replacement** | 6420 | - | - | - | - | | |
| **Total Expenditures Prior to Exclusions** | | 16,982,761 | - | - | 34,390,675 | - | - |
| | | | | | | | |
| **Exclusions:** | | | | | | | |
| **Activities to Exclude -** | | | | | | | |
| Instructional Staff Retirees Benefits/Incentives | 5900 | 860,583 | - | - | 860,583 | - | - |
| Student Health Services Amount Collected | 6441 | - | - | - | - | - | - |
| Student Transportation | 6491 | - | - | - | - | - | - |
| Non-Instructional Staff Retirees Benefits/Incentives | 6740 | - | - | - | 1,051,824 | - | - |
| **Objects to Exclude -** | | | | | | | |
| Rents and Leases | 5060 | - | - | - | 94,064 | - | - |
| Lottery Expenditures | | - | - | - | - | - | - |
| Academic Salaries | 1000 | - | - | - | - | - | - |
| Classified Salaries | 2000 | - | - | - | - | - | - |
| Employee Benefits | 3000 | - | - | - | - | - | - |
| Supplies and Materials | 4000 | - | - | - | - | - | - |
| Software | 4100 | - | - | - | - | - | - |
| Books, Magazines, and Periodicals | 4200 | - | - | - | - | - | - |
| Instructional Supplies and Materials | 4300 | - | - | - | 16,039 | - | - |
| Non-Instructional Supplies and Materials | 4400 | - | - | - | 139,189 | - | - |
| Total Supplies and Materials | | - | - | - | 155,228 | - | - |
| Other Operating Expenses and Services | 5000 | - | - | - | 731,271 | - | - |
| Capital Outlay | 6000 | - | - | - | - | - | - |
| Library Books | 6300 | - | - | - | - | - | - |
| Equipment | 6400 | - | - | - | - | - | - |
| Equipment - Additional | 6410 | - | - | - | - | - | - |
| Equipment - Replacement | 6420 | - | - | - | - | - | - |
| Total Equipment | | - | - | - | - | - | - |
| Total Capital Outlay | | - | - | - | - | - | - |
| Other Outgo | 7000 | - | - | - | - | - | - |
| **Total Exclusions** | | 860,583 | - | - | 2,892,970 | - | - |
| **Total for ECS 84362 50% Law** | | 16,122,178 | - | - | 31,497,705 | - | - |
| **Percent of CEE** | | 51.19% | - | - | 100.00% | - | - |
| **50% of Current Expense of Education** | | 15,748,853 | - | - | - | - | - |

The accompanying notes are an integral part of this schedule

**IMPERIAL COMMUNITY COLLEGE DISTRICT**
**RECONCILIATION OF EDUCATION PROTECTION ACCOUNT EXPENDITURES**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| Activity Classification | Object Code | Total |
|---|---|---|
| EPA Proceeds | 8630 | $ 6,603,880 |

| Activity Classification | Object Code | Salaries and Benefits (1000-3000) | Operating Expenses (4000-5000) | Capital Outlay (6000) | Total |
|---|---|---|---|---|---|
| Instructional Activities | 0100-5900 | $ 6,603,880 | $ - | - | 6,603,880 |
| Total Expenditures for EPA | | $ 6,603,880 | $ - | $ - | $ 6,603,880 |
| Revenues Less Expenditures | | | | | $ - |

The accompanying notes are an integral part of this schedule

**IMPERIAL COMMUNITY COLLEGE DISTRICT**
**NOTES TO SUPPLEMENTARY INFORMATION**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

## NOTE 1 – PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

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

B. Schedule of Workload Measures for State General Apportionment

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

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

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

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

D. Schedule of State Financial Awards

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

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

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

F. Reconciliation of Education Protection Account Expenditures

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

# REQUIRED SUPPLEMENTARY INFORMATION

# IMPERIAL COMMUNITY COLLEGE DISTRICT
## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CALSTRS NET PENSION LIABILITY
## FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | Fiscal Year* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| District's proportion of the net pension liability (asset) | 0.0350% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's proportionate share of the net pension liability (asset) | $20,452,944 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's covered-employee payroll | $ 9,620,100 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 212.61% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Plan fiduciary net position as a percentage of the total pension liability | 76.52% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

*This schedule is presented to illustrate the requirement to show information for ten years; however, until a full ten year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A: 2014-15 is the first implementation year and as such no information is being presented for years prior to implementation.

Notes to Schedule:
1) Benefit Changes: In 2015 there were no changes to benefits.
2) Changes in Assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

# IMPERIAL COMMUNITY COLLEGE DISTRICT
# SCHEDULE OF DISTRICT CONTRIBUTIONS TO CALSTRS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | Fiscal Year* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Contractually required contribution | $ 1,587,523 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions in relation to the contractually required contribution | (1,587,523) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contribution deficiency (excess) | $ - | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's covered-employee payroll | $ 9,620,100 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions as a percentage of covered-employee payroll | 16.502% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

*This schedule is presented to illustrate the requirement to show information for ten years; however, until a full ten year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A: 2014-15 is the first implementation year and as such no information is being presented for years prior to implementation.

Notes to Schedule:
Actuarial methods and assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting valuation as of June 30, 2013 used the following actuarial methods and assumptions applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation Date | June 30, 2013 |
| Experience Study | July 1, 2006 through June 30, 2010 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 7.60% |
| Consumer Price Inflation | 3.00% |
| Wage Growth | 3.75% |
| Post-retirement Benefit Increases | 2.00% simple |

CalSTRS uses custom mortality tables to fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information.

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.

# IMPERIAL COMMUNITY COLLEGE DISTRICT
## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CALPERS NET PENSION LIABILITY
## FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | Fiscal Year* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| District's proportion of the net pension liability (asset) | 0.0718% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's proportionate share of the net pension liability (asset) | $ 8,151,048 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's covered-employee payroll | $ 7,639,772 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 106.69% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Plan fiduciary net position as a percentage of the total pension liability | 83.38% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

*This schedule is presented to illustrate the requirement to show information for ten years; however, until a full ten year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A: 2014-15 is the first implementation year and as such no information is being presented for years prior to implementation.

Notes to Schedule:
1) Benefit Changes: In 2015 there were no changes to benefits.
2) Changes in Assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

# IMPERIAL COMMUNITY COLLEGE DISTRICT
# SCHEDULE OF DISTRICT CONTRIBUTIONS TO CALPERS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | Fiscal Year* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Contractually required contribution | $ 1,398,158 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions in relation to the contractually required contribution | (1,398,158) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contribution deficiency (excess) | $ - | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's covered-employee payroll | $ 7,639,772 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions as a percentage of covered-employee payroll | 18.301% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

*This schedule is presented to illustrate the requirement to show information for ten years; however, until a full ten year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A: 2014-15 is the first implementation year and as such no information is being presented for years prior to implementation.

Notes to Schedule:

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal in accordance with the requirements of GASB Statement No. 68 |
| Actuarial Assumptions | |
| Discount Rate | 7.50% |
| Inflation | 2.75% |
| Salary Increases | Varies by Entry Age and Service |
| Investment Rate of Return | 7.5% Net of Pension Plan Investment and Administrative Expenses; includes inflation |
| Mortality Rate Table | Derived using CalPERS Membership Data for all funds |
| Post Retirement Increase | Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter |

The mortality table used was developed based on CalPERS specific data. The table includes twenty years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality, and retirement rates. Further details of the Experence Study can be found at CalPERS' website.

## IMPERIAL COMMUNITY COLLEGE DISTRICT
## SCHEDULE OF FUNDING PROGRESS-BENEFITS PLAN
## FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| Acturial Valuation Date | Value of Assets (a) | Liability (AAL) Entry Age (b) | AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | Percentage of Covered Payroll (b-a)/c) |
|---|---|---|---|---|---|---|
| 11/01/08 | $ - | $ 33,206,084 | $ 33,206,084 | $ - | $ 31,122,727 | 100% |
| 11/01/08 | - | 33,206,084 | 33,206,084 | - | 30,896,889 | 100% |
| 11/01/08 | - | 33,206,084 | 33,206,084 | - | 28,951,291 | 100% |
| 12/08/11 | - | 33,550,446 | 33,550,446 | - | 27,308,903 | 100% |
| 12/08/11 | - | 33,550,446 | 33,550,446 | - | 25,885,437 | 100% |
| 09/01/13 | - | 38,931,924 | 38,931,924 | - | 29,231,921 | 100% |
| 09/01/13 | - | 38,931,924 | 38,931,924 | - | 28,564,094 | 100% |

# OTHER INDEPENDENT AUDITOR'S REPORTS

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

Aubrey W. King, CPA
Kevin A. Sproule, CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Imperial Community College District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Imperial Community College District's basic financial statements, and have issued our report thereon dated December 15, 2015.

## Internal Control Over Financial Reporting

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

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

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

## Compliance and Other Matters

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

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**Purpose of this Report**

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

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 15, 2015

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

Aubrey W. King, CPA
Kevin A. Sproule, CPA

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

We have audited the financial statements of the business type activities and the discretely presented component unit of the Imperial Community College District as of and for the year ended June 30, 2015, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the California Community College Chancellor's Office *Contracted District Audit Manual* and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

- Salaries of Classroom Instructors (50 Percent Law)
- Gann Limit Calculation
- Students Actively Enrolled
- Residency Determination For Credit Courses
- Concurrent Enrollment of K-12 Students In Community College Credit Courses
- Apportionment for Instructional Service Agreements/Contracts
- State General Apportionment Funding System
- Open Enrollment
- Scheduled Maintenance Program
- Student Fees - Health Fees and Use of Health Fee Funds
- To Be Arranged Hours (TBA)
- Proposition 1D State Bond Funded Projects
- Intersession Extension Programs
- Extended Opportunity Programs and Services (EOPS)/Cooperative Agencies Resources for Education (CARE)
- Disabled Student Programs and Services (DSPS)
- Education Protection Account
- Proposition 39 Clean Energy Fund

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

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

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In our opinion, Imperial Community College District complied in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed for the year ended June 30, 2015.

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

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 15, 2015

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

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

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

## Report on Compliance for Each Major Federal Program

We have audited Imperial Community College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Imperial Community College District's major federal programs for the year ended June 30, 2015. Imperial Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

## Management's Responsibility

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

## Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Imperial Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Imperial Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

In our opinion, Imperial Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

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**Report on Internal Control Over Compliance**

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

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

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

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

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 15, 2015

# FINDINGS AND RECOMMENDATIONS

**IMPERIAL COMMUNITY COLLEGE DISTRICT**
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**
**YEAR ENDED JUNE 30, 2015**

## Section I-Summary of Auditor's Results

*Financial Statements*

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

*Federal Awards*

| | |
|---|---|
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Internal control over major programs: | |
| Material weaknesses identified? | No |
| Reportable conditions identified not considered to be material weaknesses? | No |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) | No |

| Identification of major programs: CFDA Number | Name of Federal Program or Cluster |
|---|---|
| 84.063, 84.007, 84.033, 84.375 | Student Financial Aid Cluster |
| 84.042, 84.044, 84.047A | TRIO Cluster |

| | |
|---|---|
| Dollar threshold to distinguish between Type A and Type B programs: | $681,698 |
| Auditee qualified as low-risk auditee? | Yes |

*State Awards*

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

**Section II - Financial Statement Findings**

No matters reported.

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

No matters reported.

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

No matters reported.

**IMPERIAL COMMUNITY COLLEGE DISTRICT**
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**
**JUNE 30, 2015**

| Finding and Recommendation | Current Status | Management's Explanation If Not Implemented |
|---|---|---|

There were no findings for the fiscal year ended June 30, 2014.