

IMPERIAL COMMUNITY COLLEGE DISTRICT

AUDIT REPORT
JUNE 30, 2018

San Diego

Los Angeles

San Francisco
Bay Area

christy  white
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**IMPERIAL COMMUNITY COLLEGE DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2018**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Imperial Community College District
Imperial, California 92251

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Imperial Community College District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Imperial Community College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

SAN DIEGO

LOS ANGELES

SAN FRANCISCO/BAY AREA

Corporate Office:

348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229

tel: 619.270.8222

fax: 619.260.9085

www.christywhite.com

*Licensed by the California
State Board of Accountancy*

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Imperial Community College District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 7 to the financial statements, in 2018 Imperial Community College District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Supplementary Information (continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Imperial Community College District internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Imperial Community College District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, CA December 14, 2018 except for the *Report On Compliance For Each Major Federal Program; And Report On Internal Control Over Compliance Required By The Uniform Guidance*, which is dated August 5, 2019

IMPERIAL COMMUNITY COLLEGE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The Imperial Community College District (District) consists of one main campus. The District serves approximately 7,500 students per semester. Full-Time Equivalent Student (FTES) for 2017-2018 was 7,402.

The following discussion and analysis provides an overview of the financial position and activities of the Imperial Community College District for the fiscal year ended June 30, 2018. Please read it in conjunction with the financial statements and notes thereto which follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

FINANCIAL HIGHLIGHTS

- Net position decreased by \$46.4 million or 50% from the prior year. The decrease is attributable to Other Post-Employment Benefits and the implementation of GASB 75.

STATEMENT OF NET POSITION

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

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

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

STATEMENT OF NET POSITION (continued)

	2018	2017	Net Change
ASSETS			
Current assets	\$ 28,385,276	\$ 24,515,053	\$ 3,870,223
Non-current assets	86,745,242	85,171,474	1,573,768
Total Assets	115,130,518	109,686,527	5,443,991
DEFERRED OUTFLOWS OF RESOURCES			
	18,292,519	11,861,117	6,431,402
LIABILITIES			
Current liabilities	14,105,369	12,914,598	1,190,771
Non-current liabilities	207,567,358	153,456,733	54,110,625
Total Liabilities	221,672,727	166,371,331	55,301,396
DEFERRED INFLOWS OF RESOURCES			
	4,327,427	1,303,312	3,024,115
NET POSITION			
Restricted	33,072,370	31,717,771	1,354,599
Unrestricted	(125,649,487)	(77,844,770)	(47,804,717)
Total Net Position	\$ (92,577,117)	\$ (46,126,999)	\$ (46,450,118)

The District's Net Position decreased \$46.4 million or 150% from the previous year due primarily to the increase in Other Post-Employment Benefits liability. Revenue received but not yet earned has increased by \$731,345. Finally, much of the District's unrestricted Net Position have been designated or reserved for capital outlay and debt service.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)

	2018	2017	Net Change
Total operating revenues	\$ 42,042,764	\$ 36,442,479	\$ 5,600,285
Total operating expenses	90,575,947	87,441,242	3,134,705
Operating loss	(48,533,183)	(50,998,763)	2,465,580
Net non-operating revenue (expenses)	43,363,170	45,096,928	(1,733,758)
Change in net position	(5,170,013)	(5,901,835)	731,822
Net position - beginning of the year	(46,126,999)	(40,225,164)	(5,901,835)
Adjustment for restatement (See Notes)	(41,280,105)	-	(41,280,105)
Net position - as restated	(87,407,104)	(40,225,164)	(47,181,940)
Net position - end of the year	\$ (92,577,117)	\$ (46,126,999)	\$ (46,450,118)

The Statement of Revenues, Expenses, and Changes in Net Position reflect a challenging year with a decrease in the Net Position at the end of the year. The cost of operations increased by \$3.9 million resulting from an increase in salaries and employee benefits. Although the statement shows an operating loss of \$48.5 million, that balance does not reflect the \$43.3 million in non-operating revenues. Because of these revenues from both state and local sources, the District reports a decrease in its Net Position of \$5.1 million dollars for this fiscal year.

STATEMENT OF CASH FLOWS

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

Changes in Cash Flow

	2018	2017	Net Change
Net cash provided(used) by:			
Operating activities	\$ (47,378,963)	\$ (48,098,116)	\$ 719,153
Non-capital financing activities	55,925,125	58,985,031	(3,059,906)
Capital and related financing activities	(1,350,198)	(7,399,418)	6,049,220
Investment activities	(3,010,327)	285,000	(3,295,327)
Net increase in cash	4,185,637	3,772,497	413,140
Cash - beginning of the year	21,027,692	17,255,195	3,772,497
Cash - end of the year	\$ 25,213,329	\$ 21,027,692	\$ 4,185,637

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

CAPITAL ASSETS

Note 5 to the financial statements provide additional information on Capital Assets. A summary of capital assets, net of accumulated depreciation, for 2017 and 2018.

Changes in Capital Assets

	2018		2017		Net Change
Land and construction in progress	\$ 991,993	\$	1,033,701	\$	(41,708)
Buildings, improvements, and equipment	115,107,579		112,337,883		2,769,696
Accumulated depreciation	(29,354,330)		(28,200,110)		(1,154,220)
Total Capital Assets	\$ 86,745,242	\$	85,171,474	\$	1,573,768

LONG-TERM DEBT

Note 6 to the financial statements provide additional information on long-term debt. A summary of long-term debt, for 2017 and 2018.

Changes in Long-Term Debt

	2018		2017		Net Change
GO Bonds	\$ 74,834,828	\$	71,824,501	\$	3,010,327
Accreted Interest	17,969,909		15,576,430		2,393,479
Bond Premium	2,451,102		2,605,738		(154,636)
Compensated absences	860,469		788,993		71,476
OPEB Obligation	63,451,633		19,549,481		43,902,152
Pension liabilities	50,202,721		45,928,563		4,274,158
Less: current portion of long-term debt	(2,203,305)		(2,862,827)		659,522
Total Long-term Liabilities	\$ 207,567,357	\$	153,410,879	\$	54,156,478

DISTRICT'S FIDUCIARY RESPONSIBILITY

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

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

ASSETS	Primary Government
CURRENT ASSETS	
Cash and cash equivalents	\$ 25,213,329
Accounts receivable	3,171,947
Total Current Assets	<u>28,385,276</u>
NONCURRENT ASSETS	
Capital assets, net of accumulated depreciation	86,745,242
Total Noncurrent Assets	<u>86,745,242</u>
TOTAL ASSETS	<u>115,130,518</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>18,292,519</u>
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	3,399,599
Unearned revenue	8,502,465
Current Portion - Long-term liabilities	2,203,305
Total Current Liabilities	<u>14,105,369</u>
NONCURRENT LIABILITIES	
Noncurrent portion - Long-term liabilities	207,567,358
TOTAL LIABILITIES	<u>221,672,727</u>
DEFERRED INFLOWS OF RESOURCES	<u>4,327,427</u>
NET POSITION	
Net investment in capital assets	27,429,221
Restricted for:	
Debt service	4,487,625
Capital projects	1,155,524
Unrestricted	(125,649,487)
TOTAL NET POSITION	<u>\$ (92,577,117)</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Primary Government</u>
OPERATING REVENUES	
Student Tuition and Fees	\$ 1,855,370
Less: Scholarship discount & allowance	22,451,567
Net tuition & fees	<u>24,306,937</u>
Grants and Contracts, noncapital:	
Federal	3,115,080
State	13,703,921
Local	821,807
Internal Service Sales and Charges	95,019
Other operating revenues	<u>17,735,827</u>
Subtotal	<u>17,735,827</u>
TOTAL OPERATING REVENUES	<u>42,042,764</u>
 OPERATING EXPENSES	
Salaries	34,552,413
Benefits	17,202,120
Financial aid	27,174,063
Supplies, materials, & other operating expenses	10,493,131
Depreciation	1,154,220
TOTAL OPERATING EXPENSES	<u>90,575,947</u>
 OPERATING LOSS	<u>(48,533,183)</u>
 NONOPERATING REVENUES/(EXPENSES)	
State apportionments, non-capital	27,867,816
Local property taxes	12,033,344
State taxes & other revenues	10,682,489
Other financing sources	(3,010,327)
Investment income - non-capital	150,373
Interest expense	(4,360,525)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>43,363,170</u>
 CHANGE IN NET POSITION	(5,170,013)
 BEGINNING NET POSITION	<u>(46,126,999)</u>
 ADJUSTMENT FOR RESTATEMENT (see Note 12)	(41,280,105)
 NET POSITION, AS RESTATED	<u>(87,407,104)</u>
 ENDING NET POSITION	<u>\$ (92,577,117)</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 21,189,456
Grants and contracts	20,853,308
Payments to or on behalf of employees	(51,754,533)
Payments to vendors for supplies and services	(10,493,131)
Payments to students for scholarships and grants	(27,174,063)
Net Cash Flows From Operating Activities	<u>(47,378,963)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State apportionments	27,867,816
Property taxes	12,033,344
State taxes and other revenue	14,523,394
Net Cash Flows From Non-capital Financing Activities	<u>54,424,554</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Principal and interest paid on capital debt	(3,010,327)
Net Cash Flows From Capital Financing Activities	<u>(3,010,327)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	150,373
Net Cash Flows From Investing Activities	<u>150,373</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS	4,185,637
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	21,027,692
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 25,213,329</u>

IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS, continued
FOR THE YEAR ENDED JUNE 30, 2018

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

Operating Loss	\$ (48,533,183)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Deferred outflows	(6,431,402)
Deferred inflows	3,024,115
Depreciation expense	1,154,220
Changes in Assets and Liabilities:	
Receivables, net	315,414
Accounts payable and accrued liabilities	(4,795,806)
Other Post-employment retiree benefits	2,882,176
Pension liability	4,274,158
Unearned revenue	731,345
Total Adjustments	<u>1,154,220</u>
Net Cash Flows From Operating Activities	<u>\$ (47,378,963)</u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING

Cash in banks	\$ 165,521
Cash in county treasury	24,786,021
Cash with fiscal agent	261,787
Total Cash and Cash Equivalents	<u>\$ 25,213,329</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Associated Student Trust	Student Representation Fee Trust	Scholarship and Loan Trust	Campus Organizations
ASSETS				
Cash	\$ 168,408	\$ -	\$ 9,870	\$ 142,262
Total Assets	<u>168,408</u>	<u>-</u>	<u>9,870</u>	<u>142,262</u>
NET POSITION				
Restricted Net Position	168,408	-	9,870	142,262
Total Net Position	<u>\$ 168,408</u>	<u>\$ -</u>	<u>\$ 9,870</u>	<u>\$ 142,262</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FUND NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Associated Student Trust	Associated Student Trust	Scholarship and Loan Trust	Campus Organizations
Additions				
Sales and other local revenues	\$ -	\$ 21,988	\$ -	\$ -
Investment income	99,268	-	74,081	176,660
Total Additions	99,268	21,988	74,081	176,660
Deductions				
Salaries and benefits	1,881	-	-	-
Other operating expenses and services	68,464	21,312	-	-
Other outgo	-	-	74,601	181,093
Total Deductions	70,345	21,312	74,601	181,093
CHANGE IN NET POSITION	28,923	676	(520)	(4,433)
BEGINNING NET POSITION	139,485	-	10,391	146,695
ENDING NET POSITION	\$ 168,408	\$ 676	\$ 9,871	\$ 142,262

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Reporting Entity

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

B. Basis of Accounting

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

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash and Cash Equivalents

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

D. Restricted Cash and Cash Equivalents

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

E. Accounts Receivable

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

F. Capital Assets

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

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

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, *continued*
FOR THE YEAR ENDED JUNE 30, 2018

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

G. Net Position

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

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

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

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

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

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

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

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. State Apportionments

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

I. On-Behalf Payments

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

J. Deferred Revenues

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

K. Operating Revenues

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

L. Classification of Revenues

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

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Investments

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

N. Restricted Cash and Cash Equivalents

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

O. Compensated Absences

Compensated absence costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year-end as liabilities of the District. The District also participates in and accrues “load banking” with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

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

P. Scholarship Discounts and Allowances

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

Q. Federal Financial Assistance Programs

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

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, *continued*
FOR THE YEAR ENDED JUNE 30, 2018

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

R. New Accounting Pronouncements

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 75 for the year ended June 30, 2018.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This standard's primary objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 85 for the year ended June 30, 2018.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has not determined the impact on the financial statements.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS, continued
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 3 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2018,

Primary Government	\$	25,190,795
Fiduciary funds		320,540
Total Cash & Cash Equivalents	\$	25,511,335

Cash in county treasury	\$	24,763,487
Cash on hand in banks		486,061
Total Cash & Cash Equivalents	\$	25,249,548

Policies and Practices

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

Interest Rate Risk

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

Specific Identification

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

<u>Investment or Deposit Type</u>	<u>Fair Market Value</u>	<u>Maturity Date</u>
Imperial County Investment Pool	\$ 24,679,143	366

*Weighted average days to maturity

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS, continued
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 3 – CASH AND INVESTMENTS (continued)

Credit Risk

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

Custodial Credit Risk – Deposits

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

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2018:

Federal Government		
Categorical aid	\$	995,684
State Government		
Apportionment		454,922
Categorical aid		269,920
Local Government		
Other local sources		1,451,421
Total	\$	<u>3,171,947</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, is summarized below:

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 160,000	\$ -	\$ -	\$ 160,000
Construction in Progress	873,701	-	41,708	831,993
Total capital assets not being depreciated	1,033,701	-	41,708	991,993
Capital assets being depreciated				
Land improvements	15,935,057	127,979	-	16,063,036
Buildings & improvements	89,874,959	41,708	-	89,916,667
Furniture & equipment	6,527,867	2,600,009	-	9,127,876
Total capital assets being depreciated	112,337,883	2,769,696	-	115,107,579
Less accumulated depreciation				
Land improvements	5,807,535	403,804	-	6,211,339
Buildings & improvements	18,857,538	545,076	-	19,402,614
Furniture & equipment	3,535,037	205,340	-	3,740,377
Total accumulated depreciation	28,200,110	1,154,220	-	29,354,330
Total Governmental Activities Capital Assets, net				
	\$ 85,171,474	\$ 1,615,476	\$ 41,708	\$ 86,745,242

NOTE 6 – LONG-TERM OBLIGATIONS

Long-term liabilities for the year ended June 30, 2018, are summarized as follows:

	Balance July 1, 2017	Adjustment for Restatement	Restated Balance July 1, 2017	Adjustments	Additions	Deductions	Balance June 30, 2018	Due Within One Year
GO Bonds	\$ 71,824,501	\$ -	\$ 71,824,501	\$ 5,718,518	\$ -	\$ 2,708,191	\$ 74,834,828	\$ 2,048,669
Accreted Interest	15,576,430	-	15,576,430	-	2,466,051	72,572	17,969,909	-
Bond Premium	2,605,738	-	2,605,738	-	-	154,636	2,451,102	154,636
Compensated absences	788,993	-	788,993	-	71,476	-	860,469	-
OPEB Obligation	19,549,481	41,019,976	60,569,457	-	2,882,176	-	63,451,633	-
Pension liabilities	45,928,563	-	45,928,563	-	4,274,158	-	50,202,721	-
Totals	\$ 156,273,706	\$ 41,019,976	\$ 197,293,682	\$ 5,718,518	\$ 9,693,861	\$ 2,935,399	\$ 209,770,662	\$ 2,203,305

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6 – LONG-TERM OBLIGATIONS (continued)

Description on Debt

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

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

Bonded Debt

In 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 paid 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. The 2002A series has been paid in full.

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

August 1, 2007 at rates ranging from 4.00% to 4.25%. Principal is payable on August 1, commencing August 1, 2009 and through the maturity date August 1, 2031.

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

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

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6 – LONG-TERM OBLIGATIONS (continued)

Bonded Debt (continued)

In January 2011, the District issued \$9,405,512 in General Obligations Bonds 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 to finance certain college facilities. The issue consisted of (a)\$3,610,000 Current Interest Bonds with an interest rate of 5.00% due August 1, 2041, (b) \$7,980,000 Current Interest Bonds with an interest rate of 4.625% due August 1, 2041, (c) \$1,965,733 Capital Appreciation Bonds with interest rates ranging from 3.95% to 7.99% due August 1, 2016 through August 2034, and (d) \$3,087,206 Convertible Capital Appreciation Bonds with interest rates ranging from 4.5% to 5.1% due August 2029 through August 2037.

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

In November 2017, the district issued \$16,200,000 of the 2010 Election Series 2017 Refunding Bonds to refund the General Obligation Bonds of Election 2004, Series 2007C and the 2010 General Obligation Bonds, Series 2010A.

The outstanding general obligation bonded debt as of June 30, 2018 is as follows:

The outstanding bonded debt of the district at June 30, 2018 is as follows:

	Issuance Date	Yield	Maturity Date	Amount of Original Issue	June 30, 2017 Balance	Adjustments	Additions	Redeemed Current Year	June 30, 2018 Balance	Due Within One Year
Series 2002A Lease Revenue Bonds	8/1/2002	1.40-5.00%	8/1/2018	\$ 3,370,000	\$ 295,000	\$ -	\$ -	\$ 295,000	\$ -	\$ -
Series 2005	1/20/2005	3.30-7.00%	8/1/2029	24,500,000	18,480,000	-	-	520,000	17,960,000	600,000
Series 2006B	11/29/2006	4.00-4.30%	8/1/2031	13,285,473	9,795,473	-	-	985,000	8,810,473	315,163
Series 2007C	11/1/2007	4.00-7.00%	8/1/2031	11,915,816	9,065,816	(2,710,000)	-	565,000	5,790,816	-
Series 2009D	5/5/2009	3.60-6.90%	8/1/2034	3,031,779	2,910,376	-	-	89,518	2,820,858	102,670
Series 2009E	5/5/2009	6.90%	8/1/2038	5,866,919	5,866,919	-	-	-	5,866,919	-
Series 2011A	1/27/2011	3.50-7.00%	8/1/2040	9,405,512	9,000,588	(7,771,482)	-	11,706	1,217,400	20,836
Series 2014A	3/19/2014	3.95-7.99%	8/1/2041	16,642,939	16,410,329	-	-	241,967	16,168,362	-
Series 2017 General Obligation Refunding Bond	11/15/2017	3.48	8/1/2040	16,200,000	-	16,200,000	-	-	16,200,000	1,010,000
				\$ 104,218,438	\$ 71,824,501	\$ 5,718,518	\$ -	\$ 2,708,191	\$ 74,834,828	\$ 2,048,669
Accreted Interest					15,576,431	-	2,466,051	72,572	17,969,910	-
Bond Premium					2,605,738	-	-	154,636	2,451,102	154,636

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6 – LONG-TERM OBLIGATIONS (continued)

Bonded Debt (continued)

The annual requirements to amortize bonds payable outstanding at June 30, 2018 are summarized below:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	2,297,264	2,854,193	5,151,457
2020	2,389,292	2,810,480	5,199,772
2021	2,585,827	2,942,245	5,528,072
2022	3,107,387	3,506,481	6,613,868
2023	3,437,973	3,446,161	6,884,134
2024-2028	15,073,317	17,516,988	32,590,305
2029-2033	13,536,704	24,497,494	38,034,198
2034-2038	11,123,353.95	38,281,638.05	49,404,992
2039-2042	21,283,710	5,057,169.02	26,340,879
Accretion	17,969,910	(17,969,910)	-
Total	\$ 92,804,738	\$ 82,942,940	\$ 175,747,676

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

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

A. Benefits Provided

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

	<u>Certificated</u>	<u>Classified</u>	<u>Management</u>
Applies to	All	All	
Benefit types provided	Medical, dental and vision	Medical, dental and vision	See applicable
Duration of Benefits	Lifetime	Lifetime*	Certificated or
Required Service	Hired before 7/1/2012: Age 55 to 60: 14 years Age 61 to 64: Age+Service at least 74 Age 65+: 9 years Hired After 6/30/2012: 18 years	12 years**	Classified
Minimum Age	55***	50**	
Dependent Coverage	Yes	Yes	
District Contribution %	Balance of premium after retiree contribution of up to \$100	Balance of premium after retiree contribution of up to \$100	
District Cap	None	None	

*No vision benefits beyond 65

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

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS, continued
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (continued)

B. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	203
Participating active employees	289
Total number of participants**	492

*Information not provided

**As of the July 1, 2017 valuation date

C. Total OPEB Liability

The Imperial Community College District’s total OPEB liability of \$63,451,633 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

D. Actuarial Assumptions and Other Inputs

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

Economic assumptions:

Inflation	2.75%
Salary increases	2.75%
Investment rate of return	3.50%
Healthcare cost trend rates	4.00%

Non-economic assumptions:

Mortality:

Certificated	2009 CalSTRS Mortality Table
Classified	2014 CalPERS Active Mortality for Miscellaneous Employees Table

Retirement rates:

Certificated	2009 CalSTRS Retirement Rates Table
Classified	2009 CalPERS Retirement Rates for School Employees Table

Vesting rates:

Certificated	Hired before 7/1/12: Age 55 to 60: 14 years Age 55 61 to 64: Age plus service of at least 74 Age 65 and above: 9 years Hired after 6/30/12: 18 years
Classified	12 years, but age plus service must equal at least 70
Management	Certificated and Classified as appropriate

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (continued)

E. Changes in Total OPEB Liability

	<u>June 30, 2018</u>
Total OPEB Liability	
Service Cost	\$ 2,697,576
Interest on total OPEB liability	2,131,765
Benefits payments	<u>(1,947,165)</u>
Net change in total OPEB liability	2,882,176
Total OPEB liability - beginning	<u>60,569,457</u>
Total OPEB liability - ending (a)	<u>\$ 63,451,633</u>

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

F. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of Imperial Community College District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50 percent) or one percentage point higher (4.50 percent) than the current discount rate:

	1% Decrease	Valuation	1% Increase
	(2.5%)	Discount Rate	(4.5%)
	<u> </u>	<u> </u>	<u> </u>
Net OPEB liability (asset)	\$ 55,668,323	\$ 63,451,633	\$ 72,507,939

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

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

	1% Decrease	Valuation Trend	1% Increase
	(3.0%)	Rate	(5.0%)
	<u> </u>	<u> </u>	<u> </u>
Net OPEB liability (asset)	\$ 73,170,124	\$ 63,451,633	\$ 55,457,506

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (continued)

H. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the Imperial Community College District recognized OPEB expense of \$2,697,576. At June 30, 2018, the Imperial Community College District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ -
Differences between expected and actual experience	-	-
Changes in assumptions	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	1,947,165	-
	<u>\$ 1,947,165</u>	<u>\$ -</u>

Prior periods of deferred outflows and deferred inflows of resources were not restated due to the fact that prior valuations were not rerun in accordance with Paragraph 244 of GASB Statement 75. It was determined the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified. In the future, gains and losses related to changes in total OPEB liability will be recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8 – PENSION PLANS

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

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 32,985,542	\$ 10,797,045	\$ 4,023,653	\$ 3,383,796
PERS Pension	17,217,179	5,548,309	303,774	3,001,382
Total	\$ 50,202,721	\$ 16,345,354	\$ 4,327,427	\$ 6,385,178

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS, continued
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2018, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$2,366,8360 for the year ended June 30, 2018.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,793,053 to CalSTRS.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 32,985,542
States's proportionate share of the net pension liability associated with the District	19,514,127
Total	<u>\$ 52,499,669</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to June 30, 2017. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District’s proportion was .36% percent, which was a decrease of .04% percent from its proportion measured as of June 30, 2016.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2018, the District recognized pension expense of \$3,383,796. In addition, the District recognized pension expense and revenue of \$560,862 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 878,497
Differences between expected and actual experience	121,983	575,321
Changes in assumptions	6,110,957	
Changes in proportion and differences between District contributions and proportionate share of contributions	2,197,269	2,569,835
District contributions subsequent to the measurement date	2,366,836	-
	<u>\$ 10,797,045</u>	<u>\$ 4,023,653</u>

The \$2,366,836 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 1,530,805	\$ 1,287,257
2020	1,530,805	3,512
2021	1,530,805	477,376
2022	1,530,804	1,338,084
2023	1,268,170	489,119
2024	1,038,820	428,305
	<u>\$ 8,430,209</u>	<u>\$ 4,023,653</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8 – PENSION PLANS (continued)

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

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
	100%	

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS, continued
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8 – PENSION PLANS (continued)

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

Discount rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 48,204,186	\$ 32,985,542	\$ 20,351,971

Pension plan fiduciary net position

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

California Public Employees’ Retirement System (CalPERS)

Plan Description

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

Benefits provided

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS)

Contributions

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2018 was 15.531% of annual payroll. Contributions to the plan from the District were \$1,204,306 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$17,217,179 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District’s proportion was .072% percent, which was a decrease of .001 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2018, the District recognized pension expense of \$3,001,382. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 595,597	\$ -
Differences between expected and actual experience	616,821	-
Changes in assumptions	2,514,840	202,711
Changes in proportion and differences between District contributions and proportionate share of contributions	616,745	101,063
District contributions subsequent to the measurement date	1,204,306	-
	<u>\$ 5,548,309</u>	<u>\$ 303,774</u>

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8 – PENSION PLANS (continued)

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

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

The \$1,204,306 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 1,443,173	\$ 278,776
2020	1,874,351	24,998
2021	1,352,626	-
2022	(326,147)	-
	<u>\$ 4,344,003</u>	<u>\$ 303,774</u>

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

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

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS, continued
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8 – PENSION PLANS (continued)

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

Actuarial assumptions (continued)

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

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	100.0%		

Discount rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS, continued
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8 – PENSION PLANS (continued)

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

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 23,885,124	\$ 17,217,179	\$ 9,886,388

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

NOTE 9 – JOINT POWERS AGREEMENT

Description

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

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

Participation in Public Entity Risk Pools and JPAs

The Imperial Community College District participates in two joint powers agreements (JPA’s) with the Imperial County School Districts Property and Liability Authority (ICSDPL) and the Self-Insured Program for Imperial County (SIPIC). The relationship between the Imperial Community College District and the JPA’s is such that the JPA’s are not component units of the Imperial Community College District for financial reporting purposes. The JPA’s arrange for and provide workers compensation, health, property and liability insurance for its members. A board consisting of a representative from each member district governs each JPA. The board controls the operations of each JPA including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in each JPA. Financial information for the JPA’s at June 30, 2018 was not included in this report. The information can be obtained by contacting the JPA directly.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 10 – FUNCTIONAL EXPENSES

	Instructional Salaries and Benefits	Non- Instructional Salaries and Benefits	Operating Expenses	Other Outgo	Total
Instructional Activities	\$ 21,433,096	\$ 2,104,491	\$ 422,573	\$ -	\$ 23,960,160
Instructional Admin. & Governance	-	1,963,950	931,190	-	2,895,140
Instructional Support Services	843,164	3,668,826	242,370	-	4,754,360
Admissions and Records	-	803,722	19,946	-	823,668
Student Counseling and Guidance	-	4,540,794	246,251	-	4,787,045
Student Services	-	5,421,196	997,151	-	6,418,347
Operation and Maintenance of Plant	-	2,379,159	2,166,069	-	4,545,228
Planning, Policy Making and Coordination	-	849,388	137,133	-	986,521
Institutional Support Services	-	6,268,175	1,623,106	-	7,891,281
Community Services and Economic Development	5,818	76,884	64,837	-	147,539
Ancillary Services and Auxiliary Operations	-	1,160,605	362,466	-	1,523,071
Auxiliary Operations	-	502,915	-	-	502,915
Transfers, Student Aid and Other Outgo	-	-	-	34,546,977	34,546,977
Depreciation Expense	-	-	-	1,154,220	1,154,220
Total	\$ 22,282,078	\$ 29,740,105	\$ 7,213,092	\$ 35,701,197	\$ 94,936,472

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. State of Federal Allowances, Awards and Grants

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

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District as of June 30, 2018.

NOTE 12 – RESTATEMENT

The beginning net position of Governmental Activities has been restated in order to record the District's total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect on beginning net position is presented as follows. In addition, the Fund for Capital Outlay Projects Fund was restated.

	Governmental Activities
Net Position - Beginning, as Previously Reported	\$ (46,126,999)
Restatement	(41,280,105)
Net Position - Beginning, as Restated	<u>\$ (87,407,104)</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 13 – SUBSEQUENT EVENT

In September 2018, the district formed the PARS Public Agencies Post-Employment Benefits Trust for the purpose of pre-funding pension obligations and/or OPEB obligations.

REQUIRED SUPPLEMENTARY INFORMATION

IMPERIAL COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>June 30, 2018</u>
Total OPEB Liability	
Service Cost	\$ 2,697,576
Interest on total OPEB liability	2,131,765
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefits payments	<u>(1,947,165)</u>
Net change in total OPEB liability	2,882,176
Total OPEB liability - beginning	<u>60,569,457</u>
Total OPEB liability - ending	<u>\$ 63,451,633</u>
Plan fiduciary net position	
Contributions - employer	\$ 1,947,165
Net investment income	-
Benefit payments	(1,947,165)
Administrative expenses	<u>-</u>
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending	<u>\$ -</u>
District's net OPEB liability - ending	<u>\$ 63,451,633</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%
Covered payroll	\$27,503,091
District's total OPEB liability as a percentage of covered payroll	231%

See accompanying note to supplementary information.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE FOR THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY – STRS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.036%	0.040%	0.037%	0.035%
District's proportionate share of the net pension liability	\$ 32,985,542	\$ 32,081,078	\$ 25,216,202	\$ 20,452,944
States's proportionate share of the net pension liability associated with the District	19,514,127	18,265,874	13,336,556	11,147,297
Total	<u>\$ 52,499,669</u>	<u>\$ 50,346,952</u>	<u>\$ 38,552,758</u>	<u>\$ 31,600,241</u>
District's covered payroll	\$ 19,946,670	\$ 19,698,761	\$ 18,330,412	\$ 15,433,830
District's proportionate share of the net pension liability as a percentage of its covered payroll	165.4%	162.9%	137.6%	132.5%
Plan fiduciary net position as a percentage of the total pension liability.	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY—PERS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.072%	0.070%	0.071%	0.072%
District's proportionate share of the net pension liability	\$ 17,217,179	\$ 13,847,485	\$ 10,447,985	\$ 8,151,048
District's covered payroll	\$ 10,089,137	\$ 9,289,375	\$ 8,489,613	\$ 7,998,284
District's proportionate share of the net pension liability as a percentage of its covered payroll	170.7%	149.1%	123.1%	101.9%
Plan fiduciary net position as a percentage of the total pension liability.	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS— STRS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,366,836	\$ 2,428,790	\$ 2,086,304	\$ 1,587,523
Contributions in relation to the contractually required contribution*	(2,366,836)	(2,428,790)	(2,086,304)	(1,587,523)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 18,814,015	\$ 19,946,670	\$ 19,698,761	\$ 18,330,412
Contributions as a percentage of covered payroll	12.58%	12.18%	10.59%	8.66%

*Amounts do not include on behalf contributions

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS—PERS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,204,306	\$ 1,287,525	\$ 1,005,716	\$ 1,398,158
Contributions in relation to the contractually required contribution	(1,204,306)	(1,287,525)	(1,005,716)	(1,398,158)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,689,076	\$ 9,289,375	\$ 8,489,613	\$ 7,998,284
Contributions as a percentage of covered payroll	13.86%	13.86%	11.85%	17.48%

See accompanying note to supplementary information.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – PURPOSE OF THE SCHEDULE

A. Schedule of Changes in Total OPEB Liability and Related Ratios

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

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

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

C. Schedule of District Contributions

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

D. Changes in Benefit Terms

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

E. Changes in Assumptions

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

SUPPLEMENTARY INFORMATION

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2018**

The Imperial Community College District (the District) is 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, 2018 was comprised of the following members:

Board of Trustees

NAME	OFFICE	TERM EXPIRES
Romualdo Medino	Board President	November 2020
Steven M. Taylor	Clerk of the Board	November 2018
Rudy Cardenas	Member	November 2020
Mark Edney	Member	November 2018
Jerry Hart	Member	November 2020
Louis Wong	Member	November 2020
Karla Sigmond	Member	November 2018

District Executive Officers

Name	Title
Dr. Martha O. Garcia, Ed.D.	President/Superintendent
Josanna Garcia	Vice President of Administrative Services
Dr. Christina Tafoya	Vice President of Academic Affairs
Dr. Lennor Johnson	Interim Vice President of Student Services
Clint Dougherty	Chief Human Resource Officer

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S. Department of Education:			
Direct Programs:			
Student Financial Aid Cluster			
Pell Grant	84.063	*	\$ 22,265,167
Pell Administration	84.063	*	24,725
Supplemental Educational Opportunity Grant	84.007	*	209,493
Federal College Work Study	84.033	*	478,797
Total Student Financial Aid Cluster			22,978,182
TRIO Cluster			
Student Support Services	84.042	*	456,643
Talent Search	84.044	*	355,374
Upward Bound	84.047	*	720,409
Total TRIO Cluster			1,532,426
Title V – TALCAS Grant	84.031S	*	438,471
Passed Through California Department of Education:			
CTE-Title IC	84.048	14-C01-022	311,298
CTE Transitions (Old Tech Prep)	84.048	14-C01-022	41,592
State Vocational Rehabilitation Services Program	84.126A	28370	63,791
Total U.S. Department of Education			25,365,760
 U.S. Department of Health and Human Services:			
Passed Through CCC State Chancellors Office:			
Temporary Assistance For Needy Families	93.558	*	56,701
Passed Through Health and Human Services			
Foster and Kinship Care Education	93.658	*	34,580
Total U.S Department of Health and Human Services:			91,281
 U.S. Department of Agriculture:			
Direct Program:			
Nutrition Program	10.555	*	88,012
Passed Through California Department of Education			
Summer Food Service Program	10.559	13158	21,105
Total U.S Department of Agriculture			109,117
 U.S. Department of Veterans Affairs			
Direct Program:			
Vocational Rehabilitation for Disabled Veterans	64.116	*	490
Total Expenditures of Federal Awards			\$ 25,566,648

* Pass-Through Entity Identifying Number not available or not applicable

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Program Name	Cash Received	Accounts Receivable	Deferred Revenue	Total	Total Program Expenditures
State Awards:					
Additional Enrollment Growth Grant (15905)	\$ 97,000	\$ -	\$ 22,506	\$ 74,494	\$ 74,494
Basic Skills 16-17 (18307)	172,488	-	-	172,488	172,488
Basic Skills 17-18 (18308)	424,981	-	424,725	256	256
Basic Skills Pilot Prog Yr 2 (15120)	56,000	-	49,084	6,916	6,916
Basic Skills Pilot Program (15119)	68,669	-	-	68,669	68,669
BFAP (15201)	347,831	-	-	347,831	347,831
Ca Wellness Foundation-DREAM proj (17351)	170,000	-	158,450	11,550	11,550
Cal Grants (74701)	2,719,621	11,335	-	2,730,956	2,730,956
Cal Works - Coordination (15501)	303,982	-	-	303,982	303,982
Cal Works - Coordination c/o (155018)	5	-	-	5	5
Cal Works Assessment (17308)	316,084	74,557	-	390,641	390,641
Campus Safety & Sexual Assault (16620)	17,952	-	17,952	-	-
CARE Program (15801)	273,171	-	-	273,171	273,171
CCPT Ca Career Pathways Grant (15625)	3,129,575	-	1,547,404	1,582,171	1,582,171
CCTR-General Childcare (33001)	432,918	65,525	-	498,443	432,408
Community College Completion Grant (74301)	531,544	7,456	-	539,000	539,000
County Behavioral Health Grant (15403)	190,500	19,933	-	210,433	210,433
CSPP-CA State Preschool (33002)	226,587	4,754	-	231,341	194,209
CTE Data Unlocked Grant (15651)	50,000	-	47,121	2,879	2,879
DSPS - Direct Services (15401)	395,893	-	-	395,893	395,893
DSPS - Direct Services Carry Over (154018)	4,456	-	-	4,456	4,456
Emergency Aid for Dreamer Students (74703)	37,597	-	10,057	27,540	27,540
Enrollment Fee Administration (15902)	137,898	-	-	137,898	137,898
EOPS 500 - Transition Services (15305)	1,308,291	-	-	1,308,291	1,308,291
Foster Care (16202)	73,162	4,107	-	77,269	77,269
Foster Care - CSEC Allocation (16214)	4,250	-	-	4,250	4,250
Full-Time Incentive Grant (74702)	1,363,500	-	60,775	1,302,725	1,302,725
Full-Time Incentive Grant c/o (747028)	112,275	-	-	112,275	112,275
Guided Pathways (15921)	282,520	-	236,237	46,283	46,283
ICOE/AEBG (16009)	158,224	59	-	158,283	158,283
IEPI Leadership Dev Fund Award (15624)	15,768	-	15	15,753	15,753
Independent Living c/o (162068)	4,437	-	4,437	-	-
Innovation Award 2018-2021 (16621)	2,250,000	-	2,250,000	-	-
Institutional Effectiveness Grant (15118)	119,811	-	-	119,811	119,811
Instruct Equip / Library Mat c/o (163018)	280	-	-	280	280

Continued on next page

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

Program Name	Cash Received	Accounts Receivable	Deferred Revenue	Total	Total Program Expenditures
Nursing Retention Grant 10-107-012 (15917)	-	57,000	-	57,000	57,000
OER Grant (15420)	9,000	1,000	-	10,000	10,000
Other Student Services (15922)	8,000	-	2,663	5,337	5,337
Phys Plant & Instr Support Gr 15-16 (16302)	410,180	-	-	410,180	410,180
Phys Plant & Instr Support Gr 16-17 (16303)	308,428	-	-	308,428	308,428
Phys Plant & Instr Support Gr 17-18 (16304)	416,895	-	115,782	301,113	301,113
Prop 39 - Grossmont-Cuyamaca MOU (15622)	22,120	24,193	-	46,313	46,313
Prop 39 14-15 Energy Funds (15611)	17,452	-	-	17,452	17,452
Prop 39 15-16 Energy Funds (15612)	91,424	-	-	91,424	91,424
Prop 39 16-17 Energy Funds (15613)	253,742	-	96,036	157,706	157,706
Prop 39 17-18 Energy Funds (15614)	232,512	-	232,512	-	-
Scheduled Maintenance (16501)	112,579	-	-	112,579	112,579
Staff Diversity c/o (159018)	1,849	-	-	1,849	1,849
Strong Workforce Job Readiness/Plac (15632)	100,000	-	36,234	63,766	63,766
Strong Workforce Marketing (15633)	25,000	-	21,734	3,266	3,266
Strong Workforce Program (15631)	870,936	-	870,451	485	485
Strong Workforce Program c/o (156318)	674,611	-	-	674,611	674,611
Student Equity (16005)	1,048,577	-	122,876	925,701	925,701
Student Equity c/o (160058)	257,070	-	-	257,070	257,070
Student Hunger Program (15307)	14,452	-	12,841	1,611	1,611
Student Success & Support Program (16004)	1,320,112	-	570,564	749,548	749,548
Student Success & Support Program (160048)	680,506	-	-	680,506	680,506
Student Support and Success Program - Non-Credit c/o (160048)	6,043	-	-	6,043	6,043
Student Support and Success Program - Non-Credit c/o (160048)	30,231	-	30,231	-	-
Veterans Resource Center (15920)	23,527	-	19,802	3,725	3,725
Total State Programs	\$ 22,732,516	\$ 269,919	\$ 6,960,489	\$16,041,950	\$ 15,938,783

See accompanying note to supplementary information.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT –
ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Reported Data</u>	<u>Audit Adjustment</u>	<u>Revised Data</u>
A. Summer Intersession (Summer Only)			
1. Noncredit	1.78	-	1.78
2. Credit	6.82	-	6.82
B. Summer Intersession (Summer - Prior to July 1)			
1. Noncredit	0.91	-	0.91
2. Credit	515.36	-	515.36
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedures Courses			
(a) Weekly Census Contact Hours	5,441.33	-	5,441.33
(b) Daily Census Contact Hours	638.28	-	638.28
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	45.63	-	45.63
(b) Credit	238.23	-	238.23
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	399.67	-	399.67
(b) Daily Census Procedure Courses	114.61	-	114.61
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES			
Total Credit FTES	7,354.30	-	7,354.30
Total Noncredit FTES	48.32	-	48.32
Total	<u>7,402.62</u>	<u>-</u>	<u>7,402.62</u>
Supplemental Information (subset of information above)			
In-service Training Courses (FTES)	5.01		
Basic Skills Courses and Immigrant Education			
1. Noncredit	24.22		
2. Credit	1,066.13		

See accompanying note to supplementary information.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2018.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE GOVERNEMENTAL FUND BALANCE SHEETS TO THE
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

General Fund	\$	11,345,284
Bond Interest and Redemption Fund		4,487,625
Child Development Fund		300,442
Capital Outlay Fund		1,155,524
Revenue Bond Construction Fund		262,498
Self Insurance Fund		53,943
Total Audited Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)	\$	17,605,316

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

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

86,745,242

Unamatured interest (1,122,104)

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

General Obligation Bonds Payable	(74,834,828)
Premium on issuance of bonds	(2,451,102)
Current year accreted interest	(17,969,910)
Compensated absences	(860,469)
OPEB Obligation	(63,451,633)
Pension liabilities	(50,202,721)
Net amounts included in net assets related to GASB 75	1,947,165
Net amounts included in net assets related to GASB 68	12,017,927

Total Net Assets \$ (92,577,117)

**IMPERIAL COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2018**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ESCB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	8,781,337	-	8,781,337	8,781,337	-	8,781,337
Other	1300	5,496,501	-	5,496,501	5,496,501	-	5,496,501
Total Instructional Salaries		14,277,838	-	14,277,838	14,277,838	-	14,277,838
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	4,322,244	-	4,322,244
Other	1400	-	-	-	285,386	-	285,386
Total Non-Instructional Salaries		-	-	-	4,607,630	-	4,607,630
Total Academic Salaries		14,277,838	-	14,277,838	18,885,468	-	18,885,468
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	7,036,458	-	7,036,458
Other	2300	-	-	-	139,812	-	139,812
Total Non-Instructional Salaries		-	-	-	7,176,270	-	7,176,270
Instructional Aides							
Regular Status	2200	362,480	-	362,480	362,480	-	362,480
Other	2400	109,186	-	109,186	109,186	-	109,186
Total Instructional Aides		471,666	-	471,666	471,666	-	471,666
Total Classified Salaries		471,666	-	471,666	7,647,936	-	7,647,936
Employee Benefits	3000	5,889,079	-	5,889,079	12,023,442	-	12,023,442
Supplies and Materials	4000	-	-	-	408,637	-	408,637
Other Operating Expenses	5000	-	-	-	3,256,644	-	3,256,644
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		20,638,583	-	20,638,583	42,222,127	-	42,222,127
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	705,862	-	705,862	706,862	-	706,862
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,161,931	-	1,161,931
Object to Exclude							
Rents and Leases	5060	-	-	-	196,338	-	196,338
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000						
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	9,080	-	9,080
Non-instructional Supplies & Materials	4400	-	-	-	140,221	-	140,221
Total Supplies and Materials		-	-	-	149,301	-	149,301
Other Operating Expenses and Services	5000	-	-	-	898,361	-	898,361
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment	6420	-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ 705,862	\$ -	\$ 705,862	\$ 3,111,793	\$ -	\$ 3,111,793
Total for ECS 84362, 50% Law		\$ 19,932,721	\$ -	\$ 19,932,721	\$ 39,110,334	\$ -	\$ 39,110,334
Percent of CEE (Instructional Salary Cost/Total CEE)		50.97%	0.00%	50.97%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ 19,555,167	\$ -	\$ 19,555,167	\$ 19,555,167	\$ -	\$ 19,555,167

See accompanying note to supplementary information.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 DETAILS OF THE EDUCATION PROTECTION ACCOUNT
 FOR THE YEAR ENDED JUNE 30, 2018**

EPA Revenue	\$ 5,991,077
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	Total
Instructional Activities	0100-5900	\$ 5,991,077	\$ -	\$ -	\$ 5,991,077
Total		\$ 5,991,077	\$ -	\$ -	\$ 5,991,077

See accompanying note to supplementary information.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – PURPOSE OF THE SCHEDULE

A. **Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

B. **Schedule of Expenditures of Federal Awards**

Basis of Presentation

The accompanying schedule of expenditures of Federal Awards includes the federal grant activity of the District for the year ended 2018. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. The District did not use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance. The District has no federal loan programs. The District did not provide federal awards to subrecipients during the year ended June 30, 2017.

C. **Schedule of Expenditures of State Awards**

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

D. **Schedule of Workload Measures for State General Apportionment—Annual/Actual Attendance**

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

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

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

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

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

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

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

H. **Details of the Education Protection Account**

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

OTHER INDEPENDENT AUDITORS' REPORTS

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

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Independent Auditors' Report

Board of Trustees
Imperial Community College District
Imperial, California

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Imperial Community College District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Imperial Community College District's basic financial statements, and have issued our report thereon dated December 14, 2018.

Internal Control Over Financial Reporting

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

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

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

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

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State Board of Accountancy*

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California
December 14, 2018

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200,
UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES,
AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Independent Auditors' Report

Board of Trustees
Imperial Community College District
Imperial, California

Report on Compliance for Each Major Federal Program

We have audited Imperial Community College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Imperial Community College District's major federal programs for the year ended June 30, 2018. Imperial Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

*Licensed by the California
State Board of Accountancy*

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

Opinion on Each Major Federal Program

In our opinion, Imperial Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Other Matters

This is a reissue of Uniform Guidance compliance report due to the identification of additional major programs subsequent to the previous issue date that required testing.



San Diego, California
August 5, 2019

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Board of Trustees
Imperial Community College District
Imperial, California

Report on State Compliance

We have audited Imperial Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2017-2018*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2018 that could have a direct and material effect on each of Imperial Community College District's state programs for the fiscal year ended June 30, 2018, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Imperial Community College District's compliance with the requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual (CDAM) 2017-2018*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about Imperial Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

SAN DIEGO

LOS ANGELES

SAN FRANCISCO/BAY AREA

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Opinion on State Compliance

In our opinion, Imperial Community College District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2018.

Procedures Performed

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

- Section 421 – Salaries of Classroom Instructors (50 Percent Law)
- Section 423 - Apportionment for Instructional Service Agreements/Contracts
- Section 424 - State General Apportionment Funding System
- Section 425 - Residency Determination for Credit Courses
- Section 426 - Students Actively Enrolled
- Section 427 – Dual Enrollment
- Section 428 – Student Equity
- Section 429 – Student Success and Support Program Funds
- Section 430 – Scheduled Maintenance Program
- Section 431 - Gann Limit Calculation
- Section 435 - Open Enrollment
- Section 439 – Proposition 39 Clean Energy
- Section 440 – Intercession Extension Program
- Section 444 – Apprenticeship Related and Supplemental Instruction (RSI)
- Section 475 - Disabled Student Programs and Services (DSPS)
- Section 479 - To Be Arranged Hours (TBA)
- Section 490 - Proposition 1D State Bond Funded Projects
- Section 491- Proposition 30 Education Protection Account Funds

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2017-2018*. Accordingly, this report is not suitable for any other purpose.



San Diego, California
December 14, 2018

FINDINGS AND QUESTIONED COSTS

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
<u>84.007, 84.033, 84.063</u>	<u>Student Financial Aid Cluster</u>
<u>84.042, 84.044, 84.047</u>	<u>TRIO Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$766,999</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

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

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings

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

There were no financial statement findings or questioned costs noted during the fiscal year ended June 30, 2018.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, *continued*
FOR THE YEAR ENDED JUNE 30, 2018**

Section III – Federal Award Findings and Questioned Costs

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

There were no federal award findings or questioned costs noted during the fiscal year ended June 30, 2018.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

Section IV – State Award Findings and Questioned Costs

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

There were no state award findings or questioned costs noted during the fiscal year ended June 30, 2018.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no findings or questioned costs for the prior fiscal year ended June 30, 2017.