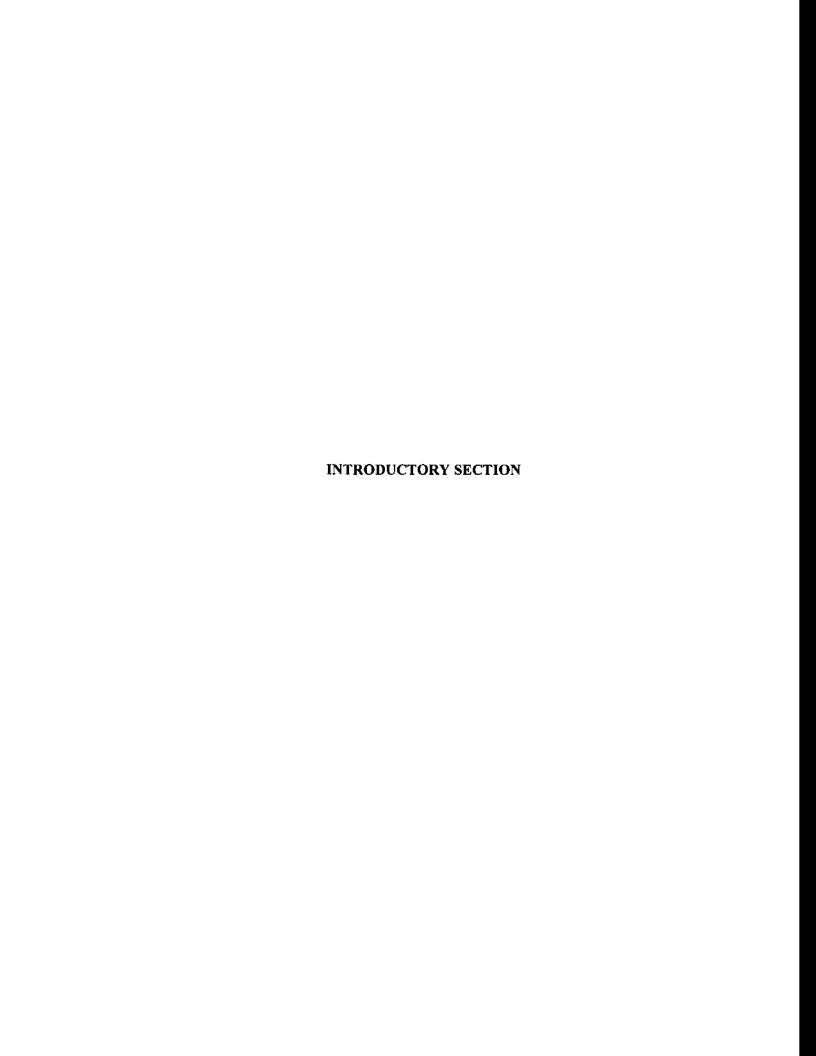
IMPERIAL COMMUNITY COLLEGE DISTRICT IMPERIAL COUNTY IMPERIAL, CALIFORNIA AUDIT REPORT JUNE 30, 2004

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IMPERIAL COMMUNITY COLLEGE DISTRICT INTRODUCTION

Introduction

The audit has the following objectives:

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



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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees Imperial Community College District Imperial, California

We have audited the accompanying basic financial statements of the Imperial Community College District, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Contracted District Audit Manual* issued by the California Community College Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Imperial Community College District as of June 30, 2004, and the results of its operations, changes in net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the Unites States of America.

As described in Note 1A to the basic financial statements, the Imperial Community College District adopted provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments and Statement No. 35, Basic Financial Statements and Management Discussion and Analysis of Public Colleges and Universities. This results in a change in the formats and content of the basic financial statements.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial and statistical information identified as supplementary information, including the Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Wilkinson Hadley & Co., LLP

December 9, 2004

IMPERIAL COMMUNITY COLLEGE DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2004

INTRODUCTION

The Imperial Community College District (the District) consists of one main campus and three separate extended campus centers. The District serves approximately 8,000 students. Full-Time Equivalent Student (FTES) enrollment for 2003-2004 was 5,456.

The following discussion and analysis provides an overview of the financial position and activities of the Imperial Community College District for the year ended June 30, 2004. Please read it in conjunction with the financial statements and notes thereto which follow this section.

FINANCIAL HIGHLIGHTS

During 2003-04, total full-time equivalent students increased approximately 5%. Credit FTES along with other workload measures are the basis for the District's state apportionment. Workload measures directly related to credit FTES accounts for over \$12 million state general apportionment.

Trend of Full Time Students as Reported on the Annual Report

	99-00	00-01	01-02	02-03	03-04
FTES	4,692	4,901	4,984	5,188	5,456

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

IMPERIAL COMMUNITY COLLEGE DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2004

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

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

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

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

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

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

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

IMPERIAL COMMUNITY COLLEGE DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2004

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

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

The Statement of Net Assets as of June 30, 2004, is summarized below:

Statement of Net Assets

	June 30, 2004	June 30, 2003	Change		
Current assets	9,838,242	6,341,616	3,496,626		
Capital assets	7,094,200	7,262,987	(168,787)		
Total Assets	16,932,442	13,604,603	3,327,839	25%	
Current liabilities	2,317,004	1,986,942	330,062		
Long-term liabilities	6,613,247	3,389,935	3,223,312		
Total Liabilities	8,930,251	5,376,877	3,553,374	67%	
Net assets					
Invested in capital assets	005.005		(0.007.700)		
net of related debt	205,265	3,602,987	(3,397,722)		
Restricted	4,601,461	3,044,452	1,557,009		
Unrestricted	3,195,465	1,580,287	1,615,178_		
Total Net Assets	8,002,191	8,227,726	(225,535)	(3%)	
Total Liabilities and Net					
Assets	16,932,442	13,604,603	3,327,839	25%	

The District's total assets increased \$3.3 million or 25% from the previous year. The majority of the increase was based on issuance of Certificates of Participation (COPS) and very conservative budgeting and expenditure practices.

Total liabilities increased by \$3.5 million. This increase was mainly in the long-term liabilities due to the issuance of Certificates of Participation (COPS) to fund a capital outlay replacement program.

IMPERIAL COMMUNITY COLLEGE DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2004

The Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2004, is summarized below:

Statement of Revenues, Expenses and Changes in Net Assets

	June 30, 2004_	June 30, 2003	Change	
Operating revenues	17,634,688	15,668,808	1,965,880	12%
Operating expenses	38,741,113	37,221,408	1,519,705	4%
Deficit before depreciation and non-				
operating Income and expense	(21,106,425)	(21,552,600)	446,175	2%
Depreciation	487,895_	354,535	133,360	37%_
Deficit before non-operating				
income and expense	(21,594,320)	(21,907,135)	312,815	1%
Non-operating income and expense, net	21,489,812	21,148,675	341,137	2%
Increase (decrease) in net assets	(104,508)	(758,460)	653,952	86%_

Operating Revenues

The Changes in Net Assets comparison presents the District's results of operation and shows an increase of \$653,952 or 86%. Operating revenues over operating expense increased \$312,815 or approximately 2%. State apportionment and property taxes are recorded in non-operating income. Net non-operating income and expense increased by \$341,137 or 2%.

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

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

Operating Expenses

Operating expenses are 64% related to personnel costs. The balance of operating expenses is for supplies, other services, and capital outlay items below the capitalization threshold, financial aid, insurance, utilities and depreciation expense.

State apportionment is generated based on the workload measures reported to the state by the District. The District has experienced increases in the various workload measures.

IMPERIAL COMMUNITY COLLEGE DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2004

Local property taxes are received through the Imperial County Office of Education. The amount received for property taxes and the amount charged to students for enrollment (currently \$18.00 per unit) is deducted from the total state general apportionment amount calculated by the state for the District.

The Statement of Cash Flows for the year ended June 30, 2004 is summarized below:

Statement of Cash Flows

	June 30, 2004	June 30, 2003	Cha	nge
Operating activities	(21,153,258)	(22,887,293)	1,734,035	8%
Non-capital financing activities	21,569,371	20,958,524	610,847	3%
Capital and related activities	2,620,955	2,507,115	113,840	5%
Investing activities	106,855	190,151	(83,296)	44%
Net Increase in Cash and Cash Equivalents	3,143,923	768,497	2,375,426	310%
Cash Balance, Beginning of Year	3,646,663	2,878,166	768,497	27%_
Cash Balance, End of Year	6,790,586	3,646,663	3,143,923	87%
Cash Used by Operating Activities	(21,153,258)	(22,887,293)	1,734,035	8%_

DISTRICT FIDUCIARY RESPONSIBILITY

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

IMPERIAL COMMUNITY COLLEGE DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2004

CAPITAL ASSETS

As of June 30, 2004, the District had over \$15.9 million invested in capital assets. Capital assets consist of land and land improvements; buildings and building improvements, infrastructure, vehicles, data processing equipment and other equipment that met the capitalization threshold recommended by GASB 35. These assets have accumulated depreciation of \$8.8 million, leaving a net asset amount of \$7.1 million.

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

	June 30, 2004	June 30, 2003	Change		
Land & Improvements Buildings &	181,644	175,900	5,744	4%	
Improvements	5,936,274	6,210,705	(274,431)	-5%	
Equipment	976,282	876,382	99,900	12%_	
Total	7,094,200	7,262,987	168,787	-3%	

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The 2004-05 state budget is relatively positive and includes the first phase of equalization funding in the amount of \$500,000. If the State legislature backs the Governor's \$80 million proposal in 2005-06 and 2006-07, the District will have an additional \$1 million in our base. These two phases of equalization dollars in conjunction with allocated growth funding, will help the District grant access to thousands of students that fail to enroll in classes every year due to a lack of a teacher or a classroom. Also, by the time this report is printed, the voters of Imperial County would have had the opportunity to vote on a \$58.6 million dollar bond issue to help fund the construction of several buildings on the main campus and the modernization of others.



IMPERIAL COMMUNITY COLLEGE DISTRICT STATEMENT OF NET ASSETS JUNE 30, 2004

ASSETS		
Current assets:		
Cash and cash equivalents	\$	6,790,586
Accounts receivable, net		3,047,656
Total current assets		9,838,242
Non-current assets:		
Capital assets, net of accumulated depreciation		7,094,200
TOTAL ASSETS	<u>\$</u>	16,932,442
LIABILITIES		
Current liabilities:		
Accounts payable	\$	1,163,966
Deferred revenues		381,543
Compensated absences		495,807
Capital leases - current portion		90,688
Bonds payable - current portion		185,000
COPS payable - current portion		
Total current liabilities		2,317,004
Non-current liabilities:		
Capital leases payable		108,247
Bonds payable		3,005,000
COPS payable		3,500,000
Total non-current liabilities		6,613,247
TOTAL LIABILITIES		8,930,251
NET ASSETS		
Invested in capital assets, net of related debt		205,265
Restricted		4,601,461
Unrestricted		3,195,465
TOTAL NET ASSETS		8,002,191
TOTAL LIABILITIES AND NET ASSETS	\$	16,932,442

IMPERIAL COMMUNITY COLLEGE DISTRICT STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS JUNE 30, 2004

OPERATING REVENUES		
Tuition and fees	S	1,306,117
Grants and contracts, non-capital:	•	1,200,117
Federal		9,445,004
State		5,050,485
Local		1,833,082
TOTAL OPERATING REVENUES		17,634,688
OPERATING EXPENSES		
Academic salaries		11,811,058
Classified salaries		6,789,286
Employee benefits		6,509,618
Supplies, materials and other operating expenses		4,852,833
Financial aid		8,135,143
Utilities		643,175
Depreciation		487,895
TOTAL OPERATING EXPENSES		39,229,008
OPERATING LOSS		(21,594,320)
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, non-capital		14,057,527
Local property taxes		6,691,691
State taxes and other revenue		820,153
Interest and investment income		106,855
Sales and commissions		102,058
Interest and fiscal charges		(288,472)
TOTAL NON-OPERATING REVENUES (EXPENSES)		21,489,812
DECREASE IN NET ASSETS		(104,508)
NET ASSETS, BEGINNING OF YEAR		8,227,726
PRIOR YEAR ADJUSTMENTS		(121,027)
NET ASSETS, END OF YEAR	\$	8,002,191

IMPERIAL COMMUNITY COLLEGE DISTRICT STATEMENT OF CASH FLOWS JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 1,306,117
Federal grants and contracts	9,445,004
State grants and contracts	5,050,485
Local grants and contracts	1,935,140
Payments to suppliers	(5,644,899)
Payments to/on behalf of employees	(25,109,962)
Payments to/on behalf of students	(8,135,143)
NET CASH USED BY OPERATING ACTIVITIES	 (21,153,258)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionment and receipts	14,877,680
Property taxes	 6,691,691
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	21,569,371
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	3,500,000
Purchase of capital assets	(319,108)
Principal paid on capital debt	(271,065)
Interest paid on capital debt	 (288,872)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	2,620,955
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	 106,855
NET CASH PROVIDED BY INVESTING ACTIVITIES	106,855
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,143,923
CASH BALANCE, BEGINNING OF YEAR	3,646,663
CASH BALANCE, END OF YEAR	\$ 6,790,586
CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (21,594,320)
Adjustments to reconcile net loss to net cash (used) by operating activities:	. , , ,
Depreciation	487,895
Changes in assets and liabilities:	·
Receivables, net	(352,703)
Accounts payable	460,618
Accrued liabilities	(18,569)
Deferred revenues	(178,339)
Compensated absences	 42,160
NET CASH USED BY OPERATING ACTIVITIES	\$ (21,153,258)

IMPERIAL COMMUNITY COLLEGE DISTRICT STATEMENT OF FIDUCIARY NET ASSETS JUNE 30, 2004

	Associated Students Trust	Scholarship and Loan Trust	Campus Organizations	Totals
ASSETS				
Cash on hand and in banks	40,626	76,743	52,533	169,902
TOTAL ASSETS	40,626	76,743	52,533	169,902
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	<u> </u>			-
TOTAL LIABILITIES	-	-	-	•
NET ASSETS				
Unrestricted	40,626	76,743	52,533	169,902
TOTAL NET ASSETS	40,626	76,743	52,533	169,902
TOTAL LIABILITIES AND NET ASSETS	40,626	76,743	52,533	169,902

IMPERIAL COMMUNITY COLLEGE DISTRICT STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS JUNE 30, 2004

	Associated Students Trust		Scholarship and Loan Trust		Campus Organizations		Totals	
REVENUES								
Interest and investment income	\$	27	\$	-	\$	-	\$	27
Local revenues		26,995		445,727		167,883		640,605
TOTAL REVENUES		27,022		445,727		167,883		640,632
EXPENDITURES								
Classified salaries		581		-		-		581
Scholarships and loans		-		430,892		-		430,892
Other operating expenses		27,935		-		170,400		198,335
TOTAL EXPENDITURES		28,516		430,892		170,400		629,808
EXCESS OF REVENUES								
OVER (UNDER) EXPENDITURES		(1,494)		14,835		(2,517)		10,824
FUND BALANCES, BEGINNING OF YEAR		42,120		61,259		59,677		163,056
PRIOR YEAR ADJUSTMENTS		-		649		(4,627)		(3,978)
FUND BALANCES, END OF YEAR	\$	40,626	\$	76,743	\$	52,533	\$	169,902

NOTES TO FINANCIAL STATEMENTS

IMPERIAL COMMUNITY COLLEGE DISTRICT NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments and including Statement No. 35, Basic Financial Statements and Management Discussion and Analysis of Public Colleges and Universities, issued in June and November 1999 and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements.

The budgetary and financial accounts of the district have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities.

B. Reporting Entity

Imperial Community College District provides higher education in the County of Imperial, State of California. The District consists of one campus located in Imperial, California.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles and GASB Statement No. 14. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board of Trustee's ability to exercise oversight responsibility. A second criterion used in evaluating potential component units is the scope of public service. A third criterion used to evaluate potential component units is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

Based upon the application of the criteria listed above, the following potential component units have been excluded from the District's entity:

Imperial Valley College Foundation

The Imperial Valley College Foundation is a separate not-for-profit corporation. The Board of Directors is appointed independent of any District Board of Trustee's appointments. Their board is responsible for approving their own budgets and accounting and finance related activities.

Separate financial statements for the Foundation may be obtained through the District.

IMPERIAL COMMUNITY COLLEGE DISTRICT NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

(Continued)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated. When the District incurs an expenditure or an expense for which both unrestricted and restricted resources may be used, it is the District's policy to use restricted resources first, and then unrestricted resources.

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

By state law, the District's governing board must approve a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles. The District's governing board revises these budgets during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

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

D. Encumbrances

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

E. Assets Liabilities, and Equity

1. Cash and Cash Equivalents

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued)

1. Cash and Cash Equivalents (Continued)

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

In accordance with Education Code Section 41001, the District maintains a substantial amount of its cash in the Imperial County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Imperial County Treasury was not available.

2. Accounts Receivable

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

3. Inventory

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

4. Compensated Absences

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Equity (Continued)

5. Capital Assets

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

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

6. Net Assets

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

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

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

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

7. Deferred Revenue

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Tax

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

G. On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System on behalf of all community college districts in California; however, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at \$593,196.

H. Classification of Revenues

The District has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as student fees and Federal and most State and local grants and contracts.

Non-operating revenues – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as state apportionments, taxes, and other revenue sources that are defined as non-operating revenues by GASB No. 9 Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting, and GASB No. 33, such as investment income.

I. Tuition and Fees

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

J. Accounting Changes

As a result of the adoption of GASB Statements No. 34 and No. 35, the District was also required to make certain changes in accounting principles, specifically the adoption of depreciation on capital assets for all funds and the recording of long-term debt. Net assets at July 1, 2003 were increased \$3,097,873 for the cumulative effect of these changes on years prior to the fiscal year ended June 30, 2004.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Use of Estimates

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

NOTE 2 - CASH AND INVESTMENTS

Cash in County Treasury

In accordance with Education Code Section 41001, the district maintains a significant portion of its cash in the Imperial County Treasury as part of the common investment pool (\$3,392,546 as of June 30, 2004).

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

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

Cash on Hand, in Banks, and in Revolving Funds

Cash balances on hand and in banks (\$232,805 as of June 30, 2004) and in revolving funds (\$20,000) are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by financial institutions is entirely insured or collateralized.

Cash with Fiscal Agent

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end.

These custodial risk categories are as follows:

- Category 1 Investments that are insured, registered or held by its agent in the District's name.
- Category 2 Investments that are uninsured and unregistered held by the counter party's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered investments held by the counterparty, its trust department or its agent, but not in the District's name.

NOTE 2 – CASH AND INVESTMENTS (Continued)

Cash With Fiscal Agent (Continued)

The District's investments at June 30, 2004 are shown below.

		Category			
Investment	1	2	3	Reported Amount	Fair Value
Investment Contracts U.S. Treasury Obligations	\$ -	\$ 965,240 2,349,897	\$ -	\$ 965,240 2,349,897	\$ 965,240 2,349,897
Totals	\$ 	\$3,315,137	\$ 	\$3,315,137	\$3,315,137

Investment Accounting Policy

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

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

NOTE 3 - ACCOUNTS RECEIVABLE

Governmental funds accounts receivable at June 30, 2004 consists of the following:

Federal	\$ 394,359
State	1,993,501
Local	647,928
Interest	11,868
Total	\$ 3,047,656

NOTE 4 - INTERFUND TRANSACTIONS

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

NOTE 5 - CAPITAL ASSETS

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

Comital Aggeta	Balance July 1, 2003	Net Change in Capital Assets	Balance June 30, 2004
Capital Assets			
Land	\$ 175,900	\$ -	\$ 175,900
Site Improvements	434,953	6,065	441,018
Buildings	13,536,825	_	13,536,825
Equipment	1,478,450	313,043	1,791,493
Total Cost	15,626,128	319,108	15,945,236
Accumulated Depreciation			
Site Improvements	(433,509)	(321)	(433,830)
Buildings	(7,327,564)	(274,431)	(7,601,995)
Equipment	(602,068)	(213,143)	(815,211)
Total Accumulated Depreciation	(8,363,141)	(487,895)	(8,851,036)
Net Capital Assets	\$ 7,262,987	\$ (168,787)	\$ 7,094,200

NOTE 6 - BONDS PAYABLE

In August 2002, the District entered into a trust indenture with the California Community College Financing Authority to issue lease revenue bonds in order to provide funding for the implementation of a District-wide computer and software networking system.

The bonds consist of Series 2002A bonds of which the District's portion of issuance was \$3,370,000. Interest is payable February 1 and August 1 of each year, commencing on February 1, 2003 at rates ranging from 1.4% to 5.0%. Principal is payable on August 1 of each year, commencing on August 1, 2003 and through the maturity date August 1, 2017.

The outstanding bonded debt of the District as of June 30, 2004 is as follows:

Date of Issuance	Interest Rate	Maturity Date	Original	Amounts Outstanding July, 1, 2003			Amounts Outstanding June 30,2004
2002	1.4% - 5.0%	2017	\$3,370,000	\$3,370,000	\$ -	\$ 180,000	\$ 3.190.000

NOTE 6 - BONDS PAYABLE (Continued)

The annual requirements to amortize bonds payable outstanding as of June 30, 2004 is as follows:

Year Ending			
June 30,	Principal	Interest	Total
2005	185,000	119,428	304,428
2006	190,000	115,908	305,908
2007	190,000	111,728	301,728
2008	195,000	106,683	301,683
2009	200,000	101,180	301,180
2010-2014	1,130,000	386,213	1,516,213
2015-2018	1,100,000	112,280	1,212,280
Total	3,190,000	1,053,420	4,243,420

NOTE 7 - COPS PAYABLE

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

The outstanding debt of the District as of June 30, 2004 is as follows:

			Amounts	Amounts			Amounts
Date of		Maturity	Original	Outstanding	Issued	Redeemed	Outstanding
<u>Issuance</u>	Interest Rate	_Date	<u>Issue</u>	July, 1, 2003	Current Year	Current Year	June 30,2004
2004	2.5% - 4.85%	2014	\$3.500.000) <u>\$</u>	\$ 3,500,000	\$	\$_3.500,000

The annual requirements to amortize COPS payable outstanding as of June 30, 2004 is as follows:

June 30,	Princip	al	Interest		Total
2005	\$	- \$	89,022	\$	89,022
2006	250	,000	141,169		391,169
2007	280	,000	127,669		407,669
2008	290	0,000	119,819		409,819
2009	295	,000	110,454		405,454
2010-2014	1,660	,000	364,761	:	2,024,761
2015-2018	725	,000_	17,581		742,581
Total	\$ 3,500	,000 \$	970,475	\$ 4	4,470,475

NOTE 8 - CAPITAL LEASES

The district leases various equipment and improvements under agreements, which provide for bargain purchase options or for title to pass upon expiration of the lease periods. Future minimum lease payments including principal and interest are as follows:

Fiscal Year	
Year Ending	
June 30	Lease Payments
2005	\$ 101,378
2006	50,017
2007	43,775
2008	23,885
Total Minimum Payments	219,055
Less Interest Portion	(20,120)
Total Present Value Payments	\$ 198,935

NOTE 9 - GENERAL LONG-TERM DEBT

Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 2004 is shown below:

	Balance July 1,2003	Additions	Deductions	Balance June 30, 2004	Amount Due In One Year
Bonds Payable COPS Payable Capital Leases	\$ 3,370,000	\$ - 3,500,000	\$180,000 - 91,065	\$ 3,190,000 3,500,000 198,935	\$ 185,000 - 90,688
Totals	\$ 3,660,000	\$ 3,500,000	\$ 271,065	\$ 6,888,935	\$ 275,688

NOTE 10 -PRIOR YEAR ADJUSTMENTS

Prior year adjustments represents adjustments to prior year accounts receivable for the difference between the amounts of accounts receivable estimated and accrued at June 30, 2003 and the actual amounts of accounts receivable subsequently collected in fiscal year 2003-04.

Additionally, prior year adjustments represents adjustments to prior year accounts payable for the difference between the amounts of accounts payable estimated and accrued at June 30, 2003 and the actual amounts of accounts payable subsequently paid in fiscal year 2003-04.

NOTE 11- POST EMPLOYMENT BENEFITS

The District provides post employment health care benefits, in accordance with District employment contracts to all employees who retire from the District. The retiree must have worked for the District for at least twelve years.

Expenditures for post employment benefits are recognized on a pay-as-you-go basis, as premiums are paid. During the fiscal year, expenditures of \$659,714 were recognized for retirees' health care benefits. The estimated cost for the 2004-05 fiscal year is \$903,523.

Under this plan, the District has agreed to continue to provide these benefits without any additional performance from these retirees. The District does not recognize a liability for future post employment health care benefits because the amount cannot be reasonably determined.

NOTE 12 - DEFERRED REVENUE

Deferred revenue consists of state and local revenues that have been received as of June 30, 2004 for the subsequent 2004-05 fiscal year. As of June 30, 2004 the District's deferred revenue balance consists of the following:

	Governmental Funds
Federal revenues	\$ 8,417
State revenues	307,179
Local revenues	65,947
Total	\$381,543

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Litigation

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

Sick Leave

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

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

State and Federal Allowances, Awards and Grants

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

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

STRS:

Plan Descriptions

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

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

Funding Policy

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

The required employer contribution rate for fiscal year 2003-04 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2004, 2003, and 2002 were \$963,277, \$941,633 and \$722,803 respectively, and equal 100% of the required contributions for each year.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

PERS:

Plan Descriptions

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

Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. PERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the PERS annual financial report may be obtained from the PERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the PERS Board of Administration.

The required employer contribution rate for fiscal year 2003-04 was 2.39% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to PERS for the fiscal year ending June 30, 2004, 2003, and 2002 were \$544,634, \$147,652, and \$0, respectively, and equal 100% of the required contributions for each year.

NOTE 15- RISK MANAGEMENT

Description

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

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

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

NOTE 16- JOINT VENTURES - JOINT POWERS AGREEMENTS

The Imperial Community College District participates in two joint ventures under a joint powers agreement (JPA) with the County Schools Insurance Group. The relationship between the Imperial Community College District and the JPA is such that the JPA is not a component unit of the Imperial Community College District for financial reporting purposes.

The JPA arranges for and provides workers compensation, health, property and liability insurance for its members. A board consisting of a representative from each member district governs the JPA. The board controls the operations of the 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 the JPA. Financial information for the JPA at June 30, 2004 was not available

NOTE 17- COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

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

Violation
None Reported

Action Taken
Not Applicable

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

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

Fund Name
None Reported

Deficit Amount/Remarks
Not Applicable

SUPPLEMENTARY INFORMATION

IMPERIAL COMMUNITY COLLEGE DISTRICT ORGANIZATION JUNE 30, 2004

GOVERNING BOARD

Name	Office	Term Expires
Ms. Rebecca L. Ramirez	President	November 2005
Mrs. Marian A. Long	Clerk	November 2007
Mr. Kelly Keithly	Member	November 2005
Mr. Romualdo J. Medina	Member	November 2007
Mr. Louis Wong	Member	November 2007
Mr. Rudy Cardenas, Jr.	Member	November 2007
Mr. Carlos Acuna	Member	November 2005

EXECUTIVE AND SENIOR ADMINISTRATION

Dr. Paul Pai Superintendent/President

Mr. Thomas R. Hudson Dean of Business Services

Dr. Kendra Jeffcoat Vice President for Academic Services

Dr. Victor Jaime Vice President for Student Services

IMPERIAL COMMUNITY COLLEGE DISTRICT SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUALIZED ATTENDANCE AS OF JUNE 30, 2004

	Reported and Audited <u>Annual FTES</u>
Categories	
Credit Full-Time Equivalent Student (FTES)	
Weekly Census	4475.72
Daily Census	144.42
Actual Hours of Attendance	353.85
Independent Study/Work Experience	64.66
Summer Intersession	470.85
Total	<u>5,509.50</u>
Noncredit FTES	
Actual Hours of Attendance	-
Summer Session	
Total	
Credit Student Headcount	
Fall Session - 2003	7,480
Spring Session - 2004	7,816
Gross Square Footage	
Existing Facilities	259,080

IMPERIAL COMMUNITY COLLEGE DISTRICT RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2004

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Form CCFS-311 to the audited financial statements based upon governmental accounting principles. Additional entries were made to comply with the GASB 34/35 requirements. These entries are not considered audit adjustments for purposes of this reconciliation. The fund balances for all funds as reported in the accompanying audited financial statements are in agreement with the fund balances reported by the District in their Annual Financial and Budget Report (CCFS-311).

IMPERIAL COMMUNITY COLLEGE DISTRICT SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30,2004

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S. Department of Education:			
Pell Grant	84.063	-	\$6,544,253
Supplemental Educational Opportunity Grant	84.807	-	526,692
College Work Study	84.033	-	373,271
Upward Bound	84.047	-	600,280
Student Support Services	84.042	-	426,587
Talent Search	84.044	-	363,961
Tech Prep	84.048	-	20,195
Pell Administration	84.063	-	20,033
Passed through California Department of Education (CDE):			
VATEA-Title I C	84.048	03577	258,770
Passed through Southwestern Community College District:			
Small Business Administration	84.153	-	<u>161,658</u>
Total U.S. Department of Education			9,295,700
U.S. Department of Agriculture:			
Nutrition Programs	10.555	-	<u>37,270</u>
Total Expenditures of Federal Awards			\$9.332.970

Note 1. Basis of Presentation

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

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, Imperial Community College District did not provide any federal awards to subrecipients.

IMPERIAL COMMUNITY COLLEGE DISTRICT NOTES TO SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 1 - PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

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

B. Schedule of Workload Measures for State General Apportionment

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

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

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

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





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

Board of Trustees Imperial Community College District Imperial, California

We have audited the basic financial statements of Imperial Community College District as of and for the year ended June 30, 2004 and have issued our report thereon dated December 9, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Imperial Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses; however, we noted certain other matters that are reported in the Schedule of Audit Findings and Questioned Costs.

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

WWWWY AKAS KY & CO. LIP Wilkinson Hadley & Co., LLP

December 9, 2004



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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees Imperial Community College District Imperial, California

We have audited the basic financial statements of the Imperial Community College District for the year ended June 30, 2004, and have issued our report thereon dated December 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the California Community College Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we performed an audit for compliance as required in Part II, State and Federal Compliance Requirements for those programs identified in the State Department of Finance's May 2004 transmittal of audit requirements for community colleges. The objective of the examination of compliance applicable to Imperial Community College District is to determine with reasonable assurance that the District complied with requirements for:

General Directives

• Management Information System Implementation – Required Data Elements

Administration

- Fiscal Operations Salaries of Classroom Instructors (50 Percent Law)
- Fiscal Operations Gann Limit Calculation
- Apportionments Residency Determination For Credit Courses
- Apportionments Students Actively Enrolled
- Apportionments Concurrent Enrollment of K-12 Students In Community College Courses
- Apportionments Apportionment for Instructional Service Agreements/Contracts
- Apportionments Enrollment Fees
- Open Enrollment

Student Services

Matriculation – Uses of Matriculation Funds

Special Programs

- Extended Opportunity Programs and Services (EOPS) Allocation of Costs
- Extended Opportunity Programs and Services (EOPS) Administrator/Director Requirements

Facilities

Scheduled Maintenance Program

In our opinion, the Imperial Community College District complied with the compliance requirements for the state programs listed and tested above. Further, nothing came to our attention as a result of the aforementioned procedures to indicate the district had not complied with the terms and conditions of state assisted educational programs not selected for testing. Our audit of compliance made for the purposes set forth in the preceding paragraph of this report would not necessarily disclose all instances of noncompliance.

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

WWWYN Shooty acc. 22P Wilkinson Hadley & Co., LLP

December 9, 2004



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees Imperial Community College District Imperial, California

Compliance

We have audited the compliance of the Imperial Community College District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the district's compliance with those requirements.

In our opinion, the Imperial Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Wilkinson Hadley & Co., LLP

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December 9, 2004



IMPERIAL COMMUNITY COLLEGE DISTRICT SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2004

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No

Reportable conditions identified not

considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Type of auditor's report issued on compliance

for major programs: Unqualified

Internal control over major programs:

Material weaknesses identified? No

Reportable conditions identified not

considered to be material weaknesses? No

Any audit findings disclosed that are required to

be reported in accordance with Circular

A-133, Section .510(a) No

Identification of major programs:

Name of Federal Program

CFDA Number or Cluster 84.063, 84.807, 84.033 Student Financial Aid Cluster

84.047 Upward Bound

Dollar threshold to distinguish between Type A

and Type B programs: \$500,000

Auditee qualified as low-risk auditee? Yes

State Awards

Type of auditor's report issued on compliance for

state programs: Unqualified

Internal control over state programs:

Material weaknesses identified? No

Reportable conditions identified not considered

to be material weaknesses? No

IMPERIAL COMMUNITY COLLEGE DISTRICT SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2004 (Continued)

Section II-Financial Statement Findings

Finding 2004-1 Fixed Assets

Criteria/Specific Requirements

Internal accounting and administrative controls should be sufficient to ensure year-end fixed assets are properly stated and materially correct.

Condition

In our review of the fixed assets detail, we noted that the ending balances had not been updated from the prior year and new fixed asset additions and corresponding depreciation for the current year were not included. The District has not completed a proper fixed asset listing of capitalized assets since the appraisal report.

New capitalized assets from the prior year and current year including depreciation had not been consolidated. As such, we had to determine all fixed asset additions and manually calculate depreciation expense for all prior and current year assets at fiscal year end for proper inclusion in the financial statements.

Questioned Costs

Not Applicable

Recommendation

We strongly recommend the District complete and consolidate a proper fixed asset listing of all capitalized assets and depreciation that is current. Update all additions and accumulated depreciation in order to input data into a compilation system that will generate accurate updated fixed asset balances.

District Response

In January 2004, the Imperial Community College District went live with a new finance system, SCT Banner. SCT Banner's Fixed Assets module is scheduled to go live in the Spring 2005. It is the district's intention to contract with Wilkinson & Hadley to assist us in the task of bringing all the appropriate balances up to date and establish the required amortization schedules and accounts to keep track of all fixed assets balances utilizing this newly acquired system.

Section III-Federal Award Findings and Questioned Costs

No matters reported.

Section IV-State Award Findings and Questioned Costs

No matters reported.

IMPERIAL COMMUNITY COLLEGE DISTRICT STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS JUNE 30, 2004

Finding and Recommendation	Current Status	If Not Implemented
2003-1		
Financial Statements Reporting		
Balance sheet and income amounts did not agree to supporting documentation. Significant corrections were required to reconcile Form CCFS-311 to district financial data and support.		
Establish procedures to ensure all the amounts listed within the district-wide financial statements reconciles to Form CCFS-311. Disclose all transactions and ending balances for all asset accounts within the financial statements	Implemented	