

LASSEN COMMUNITY COLLEGE DISTRICT

Susanville, California

Audit Report

For the Fiscal Year Ended June 30, 2016



COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

LASSEN COMMUNITY COLLEGE DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Lassen Community College District
Susanville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Lassen Community College District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Lassen 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.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 9, the schedule of funding progress, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions on pages 44-46 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 Lassen Community College District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016 on our consideration of the Lassen Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lassen Community College District's internal control over financial reporting and compliance.

CWDL, Certified Public Accountants

San Diego, California
December 5, 2016

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

**LASSEN COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the Lassen Community College District (the District) for the year ended June 30, 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999.

As required by generally accepted accounting principles, certain comparative information between the current and the prior year is required to be presented in the MD&A. This annual report consists of three basic financial statements that provide information on the District's activities as a whole: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

The focus on the statement of net position is designed to be similar to the bottom line results for the District. This statement combines and consolidates current financial resources (net short-term expendable resources) with capital assets and long-term obligations. The statement of revenues, expenses, and changes in net position focus on the costs of the District's operational activities, which are supported mainly by state revenues and local property taxes. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to students and the public. The statement of cash flows provides an analysis of the sources and uses of cash within the operations of the District.

Financial statements of the District's component unit, Lassen College Foundation, are included in this audit report but are not a focus of the following financial analysis.

CURRENT STATUS OF THE DISTRICT

The values that are important to the District Board of Trustees, administration, and staff are Educational Excellence, Student Focus, Honesty and Integrity, Student Success, Dignity and Respect.

During the 2015-16 fiscal year, the District continued the path of academic discipline and sound fiscal management.

The District, under the direction of Superintendent/President Dr. Marlon Hall, continued the same distinct course of fiscal stability, keeping an eye on the ever changing economic conditions of the State of California and the challenges that small districts in the community college system face, the District has maintained strong fiscal leadership and has a solid footing as we move into the next few years of State Budget recovery.

The District Board of Trustees, administration, and staff are committed to support the fiscal and academic goals of the institution. These goals will continue to evolve over time to help guide the District to fiscal/academic stability, and sustainability. The District continues to work closely with the Community College Chancellor's Office.

**LASSEN COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

BUDGET INFORMATION

The District's budget is prepared in accordance with California law and is based on generally accepted accounting principles, utilizing the most current information and projections for forecasting cash receipts and expenditures.

The budget process begins in the spring. The preliminary budget is approved by the Board of Trustees by June 30th and the final budget is approved in September. Revenues are projected based upon the Governor's budget forecast in January and updated in May. If the California State Budget is approved by June 30th or prior to the adoption of the final District budget, the actual revenue projections are included in the final District budget in September.

The largest categories of expenditures are employee salaries and benefits, so staffing projections are a key factor in the budget development process.

The budget is revised on a regular basis and as needed to keep the Board of Trustees informed and to keep abreast of the latest California fiscal status. Variations between the final budget and the actual financial results are a direct result of actions taken by the Board of Trustees, the State financial status, or other circumstances leading to the increase/decrease in revenues and expenditures.

FINANCIAL HIGHLIGHTS

The total assets of the District for the year ended June 30, 2016, are less than total liabilities by \$(387,870) (net position). Of this amount, \$(5,775,073) is considered unrestricted net position.

At the close of the 2015-16 fiscal year, the Unrestricted General Fund Balance was in excess of the State Chancellor's Office guideline of 5% of expenditures.

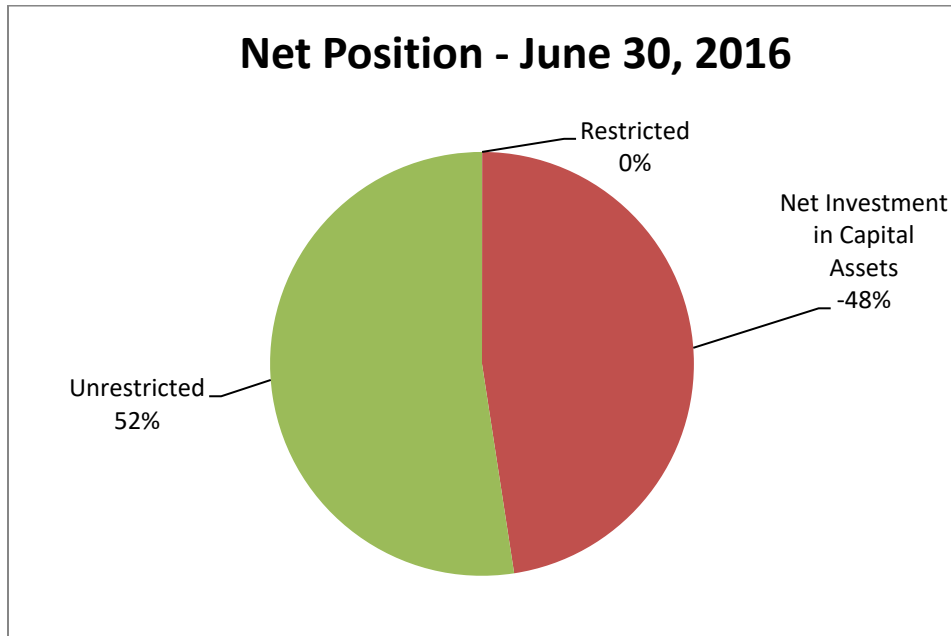
The majority of the District funding is based upon Full-Time Equivalent Students (FTES). The District's annual FTES totaled 1,494.39 reflecting a decrease of approximately 13.7% over the prior fiscal year.

**LASSEN COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

NET POSITION

Condensed District-wide financial information is as follows:

	2016	2015	Net Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Total assets	\$ 13,507,428	\$ 11,441,370	\$ 2,066,058
Deferred outflow of resources	1,203,553	755,907	447,646
Total Assets and Deferred Outflows of Resources	14,710,981	12,197,277	2,513,704
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	2,889,112	3,931,802	(1,042,690)
Non-current liabilities	10,837,511	9,002,647	1,834,864
Deferred inflows of resources	1,372,228	2,602,718	(1,230,490)
Total Liabilities and Deferred Inflows of Resources	15,098,851	15,537,167	(438,316)
NET POSITION			
Net investment in capital assets	5,385,306	4,755,711	629,595
Restricted	1,897	2,313	(416)
Unrestricted	(5,775,073)	(8,097,914)	2,322,841
Total Net Position	\$ (387,870)	\$ (3,339,890)	\$ 2,952,020



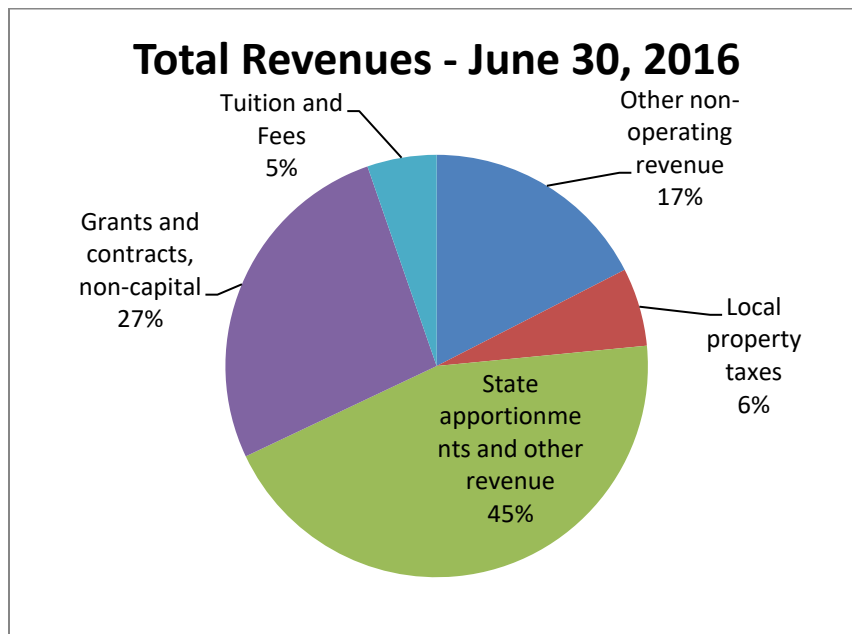
**LASSEN COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

OPERATING RESULTS

	2016	2015	Net Change
Revenues			
Net tuition and fees	\$ 1,382,409	\$ 1,343,613	\$ 38,796
Grants and contracts, noncapital	6,951,888	3,452,715	3,499,173
General revenues - property taxes	1,525,236	1,403,378	121,858
General revenues - unrestricted federal and state aid	14,197,572	12,802,381	1,395,191
General revenues - other	2,462,307	8,163	2,454,144
Total Revenue	26,519,412	19,010,250	7,509,162
Expenses			
Operating expenses	21,355,972	15,929,993	5,425,979
Disbursements to students	2,207,550	2,403,116	(195,566)
Interest	3,870	4,620	(750)
Total Expenses	23,567,392	18,337,729	5,229,663
Change in net position	\$ 2,952,020	\$ 672,521	\$ 2,279,499

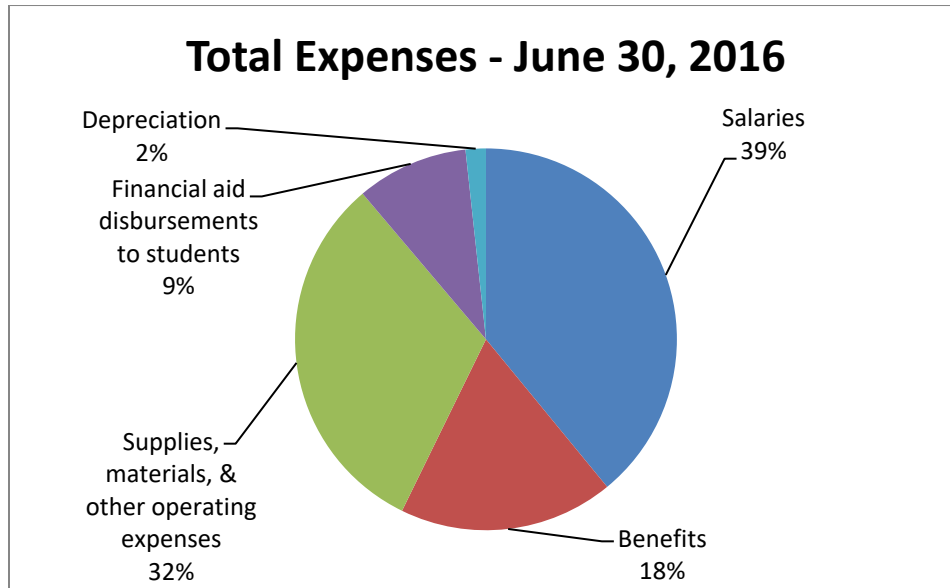
This schedule has been prepared from the statement of revenues, expenses, and changes in net position presented on page 11.

Grant and contract revenues relate to student financial aid, as well as specific federal and state grants received for programs serving the students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.



**LASSEN COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

OPERATING RESULTS, continued



The primary operating receipts are student tuition and fees and federal, state, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff.

While state apportionment and property taxes are the primary source of noncapital related revenue, the adoption of recent changes to GASB accounting standards require that this source of revenue is shown as nonoperating revenue as it comes from the general resources of the State and not from the primary users of the District's programs and services (students). The District depends upon this funding as the primary source of funds to continue the current level of operations.

STATEMENT OF CASH FLOWS

The statement of cash flows provides information about cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing. This schedule is prepared from the statement of cash flows presented on pages 12 and 13.

	2016	2015	Net Change
Cash flows from operating activity	\$ (9,695,998)	\$ (10,875,231)	\$ 1,179,233
Cash flows from non-capital financing activities	14,783,131	13,378,288	1,404,843
Cash flows from capital financing activities	(1,293,070)	(604,925)	(688,145)
Cash flows from investing activities	35,499	8,163	27,336
Net increase/(decrease) in cash & cash equivalents	3,829,562	1,906,295	1,923,267
Cash & cash equivalents, beginning of year	3,616,905	1,710,610	1,906,295
Cash & cash equivalents, end of year	\$ 7,446,467	\$ 3,616,905	\$ 3,829,562

**LASSEN COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

GENERAL FUND SELECTED FINANCIAL INFORMATION

General Fund Revenues

The District's major sources of revenue include state apportionment, local property taxes, tuition, enrollment fees, and lottery revenue. State apportionment is based on the calculation of FTES. Of the revenue sources, state apportionment, property taxes, and enrollment fees are referred to as District general revenues or "base revenues" to which cost of living adjustments are added if approved by the California State Legislature in the annual State budget. Other circumstances that can affect base revenues are declining enrollment or growth restoration, maintenance and operations growth, program improvement, or a state-wide budget deficit factor.

The State Chancellor's Office notifies the District of base revenue changes twice each year or more often if major State budget problems become known. Apportionment adjustments are provided through the First Principal Apportionment Statement (P-1) in February and the Second Principal Apportionment (P-2) in June.

General Fund Expenditures

The District's expenditures of \$19,452,809 in the General Fund were to provide classroom instruction, counseling and student support services, physical plant related activities, administration, and general support services for a budgeted total FTES of 1750.

Instruction and instructional support include the costs for instructional activities, administration, and support. Student services includes the costs for admissions and records, counseling and guidance, and other student services. Plant operations includes the cost or maintenance and operations of the physical plant and utilities. All other categories of expenditures including general support and other outgo.

CONTACTING THE DISTRICT'S ADMINISTRATION

This financial report is designed to provide the community, staff, students, investors, creditors, and the Chancellor's office with an overview of the District's financial condition and to show the District's accountability for the funding received. If you have questions or require further information, please contact:

Mr. Dave J. Clausen
Vice President of Administrative Services
Lassen Community College District
P.O. Box 3000
Susanville, CA 96130-3000

FINANCIAL SECTION

**LASSEN COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Primary Institution	Foundation
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,446,467	\$ 120,726
Investments	-	112,946
Accounts receivable - net	721,860	51,812
Other current assets	-	1,935
Inventories	77,242	-
Prepaid expenses	81,022	526
Total Current Assets	8,326,591	287,945
NONCURRENT ASSETS		
Capital assets - net of accumulated depreciation	5,180,837	107,735
Total Noncurrent Assets	5,180,837	107,735
Total Assets	13,507,428	395,680
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension contributions	1,203,553	-
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	645,210	-
Payable to Lassen College	-	91,140
Lassen College scholarships payable	-	74,881
Deferred revenue	2,218,902	-
Long-term debt - current portion	25,000	-
Total Current Liabilities	2,889,112	166,021
NONCURRENT LIABILITIES		
Net pension liability	10,169,657	-
Net OPEB liability	296,898	-
Long-term debt - noncurrent portion	370,956	-
TOTAL NONCURRENT LIABILITIES	10,837,511	-
TOTAL LIABILITIES	13,726,623	166,021
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows on unrealized pension investment gains	1,372,228	-
NET POSITION		
Net investment in capital assets	5,385,306	-
Restricted - expendable	1,897	83,589
Unrestricted	(5,775,073)	146,070
TOTAL NET POSITION	\$ (387,870)	\$ 229,659

**LASSEN COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Primary Institution	Foundation
OPERATING REVENUES		
Student tuition and fees	\$ 2,518,543	\$ -
Less: Scholarship discount & allowance	1,136,134	-
Net tuition & fees	<u>1,382,409</u>	<u>-</u>
Grants and contracts, noncapital:		
Federal	886,965	-
State	5,010,534	-
Local	536,941	-
Other operating activity	517,448	124,968
Subtotal	<u>6,951,888</u>	<u>124,968</u>
TOTAL OPERATING REVENUES	<u>8,334,297</u>	<u>124,968</u>
OPERATING EXPENSES		
Salaries	9,171,782	-
Benefits	4,421,709	-
Supplies, materials, & other operating expenses	7,361,674	13,998
Depreciation and amortization	400,807	17,890
Scholarships and support	-	155,659
Other operating expenses	-	7,653
TOTAL OPERATING EXPENSES	<u>21,355,972</u>	<u>195,200</u>
OPERATING LOSS	<u>(13,021,675)</u>	<u>(70,232)</u>
NONOPERATING REVENUES/(EXPENSES)		
State apportionments - non-capital	9,296,415	-
Local property taxes	1,525,236	-
State taxes & other revenues	2,783,800	-
Investment income - non-capital	35,499	-
Financial aid revenue	2,117,357	-
Financial aid disbursements to students	(2,207,550)	-
Amortization expense	-	-
Other nonoperating revenues	2,426,808	10,634
Interest	(3,870)	-
TOTAL NONOPERATING REVENUES	<u>15,973,695</u>	<u>10,634</u>
CHANGE IN NET POSITION	2,952,020	(59,598)
NET POSITION, BEGINNING OF YEAR	<u>(3,339,890)</u>	<u>261,053</u>
ADJUSTMENT FOR RESTATEMENT (see Note 16)	-	28,204
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>(3,339,890)</u>	<u>289,257</u>
NET POSITION, END OF YEAR	<u>\$ (387,870)</u>	<u>\$ 229,659</u>

**LASSEN COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Primary Institution	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 1,874,781	\$ -
Grants, contracts and other income	6,519,179	-
Payments to or on behalf of employees	(10,970,050)	-
Payments to vendors and operating expenses	(7,600,506)	139,241
Other operating cash flows	480,598	(124,968)
Net Cash Used by Operating Activities	<u>(9,695,998)</u>	<u>14,273</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments	10,557,932	-
Property taxes	1,525,236	-
State taxes and other revenues	2,783,800	-
Financial aid revenues	2,117,357	-
Financial aid expenses	(2,207,550)	-
Other nonoperating cash flows	6,356	(10,634)
Net Cash Provided by Non-capital Financing Activities	<u>14,783,131</u>	<u>(10,634)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,264,200)	-
Principal paid on capital debt	(25,000)	-
Interest paid on capital debt	(3,870)	-
Net Cash Used by Capital Financing Activities	<u>(1,293,070)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	35,499	-
Net Cash Provided by Investing Activities	<u>35,499</u>	<u>-</u>
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	3,829,562	3,639
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,616,905</u>	<u>117,087</u>
CASH & CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,446,467</u>	<u>\$ 120,726</u>

**LASSEN COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Primary Institution	Foundation
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (13,021,675)	\$ (70,232)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	400,807	17,890
Changes in Assets and Liabilities:		
Receivables - net	2,130,223	48,188
Prepaid items	122,026	(526)
Accounts payable and accrued liabilities	119,452	18,953
Deferred revenue	553,169	-
Total Adjustments	3,325,677	84,505
Net Cash Flows From Operating Activities	\$ (9,695,998)	\$ 14,273

**LASSEN COMMUNITY COLLEGE DISTRICT
 STATEMENT OF NET POSITION – FIDUCIARY FUNDS
 JUNE 30, 2016**

	2016
	Trust
ASSETS	
Cash and Cash Equivalents	\$ 9,239
Total Assets	9,239
LIABILITIES	
Accounts payable	-
Deferred revenue	1,263
Due to other funds	4,615
Total Liabilities	5,878
NET POSITION	
Held in Trust for Student Groups	3,361
Total Net Position	\$ 3,361

**LASSEN COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	2015
	Trust
OPERATING REVENUES:	
Local revenue	\$ 11,721
Total Operating Revenues	<u>11,721</u>
OPERATING EXPENSES:	
Supplies, materials, and other outgo	4,665
Total Operating Expenses	<u>4,665</u>
Net Change in Net Position	7,056
NET POSITION:	
Beginning of Year	(3,695)
End of Year	<u>\$ 3,361</u>

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

1. ORGANIZATION AND NATURE OF ACTIVITIES

Definition of the Reporting Entity Lassen Community College District (the District) is a political subdivision of the State of California and provides higher education. The District consists of one community college located in Susanville, California.

For financial reporting purposes, the District includes all funds, agencies, and authorities that are controlled by or dependent on the District's executive and legislative branches. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District, obligations of the District to finance any deficits that may occur, or receipt of significant subsidies from the District.

As a result, the financial statements of the District include the financial activities of the District and the combined totals of the trust and agency funds, which represent the various scholarships and student organizations within the District.

The Lassen College Foundation (the Foundation) is a nonprofit public benefit corporation organized under the Nonprofit Public Corporation Law of the State of California. The Foundation was originally incorporated on September 22, 1977, with the express purpose of promoting and assisting the educational programs of the District in accordance with the mission, policies, and priorities of the District as administered by its President. The Foundation had been dormant for several years and new information was submitted to the Secretary of State in December 2002 to reinstate the Foundation.

The Foundation conducts its operations in conformity with general regulations established by the District as required by the *California Education Code*, Section 72672(c). The members of the Foundation's Board of Directors are composed of members from the local community and two members from the Lassen Community College Board. The Foundation currently funds its operations through management of a wholly-owned subsidiary, Lassen Cougar Enterprises, Inc., which operates the Eagle Lake Marina and campgrounds.

The District and the Foundation have financial and operational relationships that meet the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) for inclusion of the Foundation as a component unit of the District. Accordingly, the financial activities of the Foundation as a component unit have been included in the financial statements of the District.

The following are those aspects of the relationship between the District and the Foundation as the component unit that satisfies the GASB:

Accountability: The District is able to impose its will upon the Foundation. The Foundation provides specific financial benefits or imposes specific financial burdens on the District.

Scope of Public Service: The Foundation is a nonprofit public benefit corporation incorporated under the laws of the State of California. The Foundation was formed to promote and assist the educational services of the District.

Discrete Presentation: For financial presentation purposes, the Foundation's financial activities have been discretely presented with the financial activities of the District.

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant interfund transactions have been eliminated.

The District's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The budgetary and financial accounts of the District are recorded and maintained in accordance with the *Budget and Accounting Manual* issued by the Chancellor's Office of the California Community Colleges.

Cash and Cash Equivalents The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments purchased with an original maturity of three months or less.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Lassen County Treasury as part of the common investment pool. The County is restricted by *California 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. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and includes accrued interest. The pool has deposits and investments with a weighted-average maturity of less than one year. As of June 30, 2016, the fair value of the County pool is 100.04% of the carrying value and is deemed to represent an immaterial difference. Derivatives are prohibited within the County investment pool. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee as required by *California Government Code*, Section 27130.

The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains and losses is independent of the calculation of the net increase or decrease in the fair value of cash and cash equivalents. Realized gains and losses on cash and cash equivalents that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of cash and cash equivalents reported in the prior year. The change in fair value of cash and cash equivalents was insignificant during the year ended June 30, 2016, and there was no significant unrealized gain or loss on cash and cash equivalents held at June 30, 2016.

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounts Receivable Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in California. Accounts receivable also includes 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 utilizes the allowance method with respect to its accounts receivable based upon a year-end review of outstanding accounts receivable balances and historical collection information.

Inventory Inventory, primarily bookstore merchandise, is carried at the lower of cost or market using the first-in, first-out (FIFO) method.

Foundation inventory consists of merchandise held for sale at the campgrounds and marina. Inventory is valued at the lower of cost or market.

Prepaid Expenses Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Asset Capital assets are recorded at cost on the date of acquisition or 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. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repair and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 25 to 50 years for buildings, 20 years for land improvements, and 5 to 15 years for equipment. Land is considered a nondepreciable capital asset; therefore, no depreciation is computed.

Advances from Grantors Advances from grantors include amounts received from grant and contract sponsors that have not yet been earned.

Advances from Students Advances from students include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year that relate to the subsequent accounting period.

Campground Advances Campground advances include amounts received for campgrounds activity prior to the end of the fiscal year that relate to the subsequent accounting period and have not yet been earned.

Amounts Held in Trust for Others The District administers funds for certain college related organizations. The liability represents the amount of funds held for these organizations.

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.

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Position The District's net position is classified as follows:

Net investment in Capital Assets: 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 for capital assets but not yet expended, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position – Nonexpendable: Consists of endowment and similar type funds 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 be expended or added to principal depending on donor stipulations.

Restricted Net Position – Expendable: Includes resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted Net Position: Unrestricted net position represents resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose. When an expense is incurred that can be paid using either restricted or unrestricted resources, it is the policy of both the District and the Foundation to first apply the expense towards restricted resources and then towards unrestricted resources.

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

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; and (3) most federal, state, and local grants and contracts, and federal appropriations.

Nonoperating Revenues: Include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues, such as: (1) state appropriations; (2) investment income; and (3) federal and state financial aid, scholarship, loan trust receipts, according to GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*; and GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

Scholarship Discounts and Allowances Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. The District offers Board of Governor's Waivers (BOGW) to qualified students, and these tuition waivers are reported as scholarship discounts and allowances.

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Risk Management The District's property and liability coverage is insured through the Northern California Community College Self-Insurance Authority (NCCC SIA). The District retains the risk up to \$1,000 per occurrence. The NCCC SIA retains the risk up to \$25,000 on property and \$25,000 on liability. Insurance above these levels is ceded to another joint power authority, Statewide Association of Community Colleges (SWACC), and to a level of \$5 million on liability and \$250 million on property. Schools Excess Liability (SELF) provides insurance coverage from \$5 million to \$45 million.

The District is also a member of the NCCC SIA for workers' compensation coverage. Within NCCC SIA, the workers' compensation insurance program is insured with first dollar coverage through a joint powers authority, Protected Insurance Program of Schools (PIPS).

Estimates Used in Financial Reporting In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. Actual results could differ from those estimates. The District's largest sources of revenues are property taxes, enrollment fees, federal and state revenues. Each of these revenue types is subject to some estimation at the date of the financial statements.

Certain current-year apportionments from the State are based on various financial and statistical information of the previous year, as well as State budgets and other factors outside the District's control. In February, subsequent to the year end, the State will perform a recalculation based on actual financial and statistical information for the year just completed. Any corrections determined by the State are recorded in the year computed by the State.

Budgets and Budgetary Accounting By state law, the District's governing board must approve a tentative budget no later than July 1 and adopt a final budget no later than September 15 of each year. A hearing must be conducted for public comments prior to adoption. The District's governing board satisfied these requirements.

The budget is revised during the year to incorporate categorical funds that are awarded during the year and for miscellaneous changes to the spending plans. The District's governing board approves revisions to the budget.

General Apportionment and Property Tax The District's general apportionment is received from a combination of local property taxes, state apportionments, and other local sources.

The counties are responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the counties. Secured property taxes attach as an enforceable lien on property as of January 1. Property taxes on the secured roll are due on November 1 and February 1 and become delinquent after December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. Lassen and Modoc counties bill and collect the property taxes for the District.

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

General Apportionment and Property Tax, continued

Secured property taxes are recorded as revenue when apportioned in the fiscal year of the levy. The counties apportion secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes based upon historical collection percentages of 55% in December, 40% in April, and a true up of the balance of the adjusted Secured Tax Roll in June.

Property taxes are recorded as local revenue sources by the District. The California Community Colleges Chancellor's Office reduces the District's entitlement by the District's local property tax revenue and student fees. The balance is paid from the State's General Fund and is referred to as the state apportionment. The District's base revenue is the amount of general purpose tax revenue, per full-time equivalent student (FTES) that the District is entitled to by law.

Change in Accounting Principles

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

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

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

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

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Change in Accounting Principles, continued

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

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

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

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

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

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

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Change in Accounting Principles, continued

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

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

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

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

New Accounting Pronouncements

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

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

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It will require employers to report a net OPEB liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 75 is required to be implemented retroactively and will require a restatement of beginning net position.. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

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

**LASSEN COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016**

3. CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents at June 30, 2016:

Governmental Funds:

Cash on hand and in banks	\$ 118,617
County treasurer's investment pool	7,327,850
Total cash and investments - Governmental Funds	<u>\$ 7,446,467</u>

Fiduciary Funds:

Cash on hand and in banks	\$ 9,239
Total cash and investments - Fiduciary Funds	<u>\$ 9,239</u>

Foundation:

Cash on hand and in banks	\$ 120,726
Total cash and investments - Foundation	<u>\$ 120,726</u>

- 1) *Deposits* The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.
- 2) *Investments That are Not Securities* A "security" is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

Custodial Credit Risk – Deposits

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District and Foundation do not have a deposit policy for custodial credit risk. As of June 30, 2016, the District and Foundation's bank balances were fully insured.

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

3. CASH AND CASH EQUIVALENTS, continued

District – Investment Credit Risk

California Government Code, Section 53601, limits investments in commercial paper to “prime” quality of the highest ranking, or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. Individual securities must be backed by the federal government or rated AAA, AA, or A by Standard & Poor’s or Aaa, Aa, or A by Moody’s indices. The District’s investment policy is more restrictive than *California Government Code* as it relates to investment vehicles. The District’s investment policy authorizes investment in Local Agency Investment Fund (LAIF), the County treasurer’s investment pool, or certificates of deposit (not to exceed \$100,000 in any financial institution). As of June 30, 2016, the District was wholly invested in the County treasurer’s investment pool in the amount of \$7,330,781 fair value and \$7,327,850 book value. The County treasurer’s investment pool is not rated.

District – Investment Interest Rate Risk

California Government Code, Section 53601, limits the District’s investments to maturities of five years. The weighted average days to maturity of the District’s investment of cash in the County treasurer’s investment pool is 495 days. The District does not have an investment policy regarding interest rate risk.

4. INVESTMENTS WITH FISCAL AGENT

During the year ended June 30, 2011, the Foundation transferred \$65,284 to the California Community Colleges Scholarship Endowment Fund. The funds remain the Foundation’s asset and are invested alongside other amounts in the Fund. Scholarships will be made annually from this investment at the Foundation’s discretion. The earnings on the invested money will be distributed as scholarships. In years when the earnings are not sufficient, the principal can be used for scholarships as well.

5. ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest and other local sources. As of June 30, 2016 accounts receivable amounted to \$721,860. The District believes all receivables accrued at June 30, 2016 are collectable.

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

6. CAPITAL ASSETS

The District's capital asset activity for the year ended June 30, 2016, is summarized as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Capital Assets not being Depreciated				
Land	\$ 36,240	\$ -	\$ -	\$ 36,240
Construction in progress	235,895	-	-	235,895
Total Capital Assets not being Depreciated	<u>272,135</u>	<u>-</u>	<u>-</u>	<u>272,135</u>
Capital Assets being Depreciated				
Site improvements	440,932	-	-	440,932
Buildings & improvements	10,484,423	443,285	-	10,927,708
Co-generation plant	1,155,043	-	-	1,155,043
Equipment	3,588,909	404,015	-	3,992,924
Total Capital Assets	<u>15,941,442</u>	<u>847,300</u>	<u>-</u>	<u>16,788,742</u>
Less Accumulated Depreciation	<u>11,207,098</u>	<u>400,807</u>	<u>-</u>	<u>11,607,905</u>
Net Capital Assets	<u>\$ 4,734,344</u>	<u>\$ 446,493</u>	<u>\$ -</u>	<u>\$ 5,180,837</u>

The co-generation plant, which was placed in service in 1985, was operated for less than a month and has been idle since that time. The District is currently researching options for usage or disposal of the plant. Management believes the net book value of the asset approximates the current fair value of the asset and related equipment included within the facility. The net book value of the plant at June 30, 2016, was \$352,882.

The Foundation's capital asset activity for the year ended June 30, 2016, is summarized as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Capital Assets being Depreciated				
Site improvements	\$ 204,128	\$ -	\$ -	\$ 204,128
Vehicles	71,191	-	-	71,191
Equipment	99,385	2,600	-	101,985
Total Capital Assets being Depreciated	<u>374,704</u>	<u>2,600</u>	<u>-</u>	<u>377,304</u>
Less Accumulated Depreciation	<u>251,679</u>	<u>17,890</u>	<u>-</u>	<u>269,569</u>
Net Capital Assets	<u>\$ 123,025</u>	<u>\$ (15,290)</u>	<u>\$ -</u>	<u>\$ 107,735</u>

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

7. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
Long-Term Obligations					
General obligation bonds					
Dormitory revenue bonds	129,000	-	25,000	104,000	25,000
Total general obligation bonds	129,000	-	25,000	104,000	25,000
Other liabilities					
Compensated absences	245,905	296,138	250,087	291,956	-
Total other liabilities	245,905	296,138	250,087	291,956	-
Total long-term obligations	374,905	296,138	275,087	395,956	25,000

8. GENERAL OBLIGATION BONDS

The District issued Dormitory Revenue Bonds for the construction of a two-story dormitory in the aggregate principal amount of \$789,000. The bonds mature in 2020 and accrue interest at 3%.

The amount of interest cost incurred during the year ended June 30, 2016, was \$3,870, all of which was charged to expenses. The annual requirement to amortize the general obligation bonds payable is as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 25,000	\$ 3,120	\$ 28,120
2018	25,000	2,370	27,370
2019	30,000	1,620	31,620
2020	24,000	720	24,720
	<u>\$ 104,000</u>	<u>\$ 7,830</u>	<u>\$ 111,830</u>

9. CAPITAL LEASE OBLIGATIONS

The District leased equipment at a cost of \$253,345, under agreements which provide for title to pass upon expiration of the lease period. There was no interest cost incurred during the year ended June 30, 2016. At June 30, 2016, there are no remaining outstanding payments and the District received title of the leased equipment.

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

10. EMPLOYEE RETIREMENT SYSTEMS

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, disability, 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, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Active plan members are required to contribute 8.00% 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 CalSTRS Board. The required employer contribution rate for fiscal year 2015-16 was 10.73% of covered payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2016, 2015, and 2014, were \$ 414,466, \$342,174, and \$319,401, respectively, and equaled 100% of the required contributions for each year.

Other Information

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit, which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS for early retirement incentives granted to terminated employees at June 30, 2016.

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the California 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 Law. 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 CalPERS, 400 Q Street, Sacramento, California 95811.

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

10. EMPLOYEE RETIREMENT SYSTEMS, continued

Funding Policy

Active plan members are required to contribute 7.00% 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 CalPERS Board of Administration. The required employer contribution rate for fiscal year 2015-16 was 11.85% of covered payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2016, 2015, and 2014, were \$459,016, \$413,733, and \$380,569, respectively, and equaled 100% of the required contributions for each year.

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2016, 2015, and 2014, which amounted to \$279,977, \$223,863, and \$186,333, respectively, (7.126%) of 2013-14 creditable compensation. A contribution to CalPERS was not required for the years ended June 30, 2016, 2015, and 2014. The payment amounts have not been reported in the basic financial statements as management believes they are immaterial to the financial statements taken as a whole.

11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

In addition to the pension benefits described above, the District provides postemployment health care benefits to employees who retire from the District in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description

The Lassen Community College District Postretirement Health Benefits Plan (the Plan) is a single-employer OPEB plan administered by the District. Faculty hired prior to February 1, 1989, and confidential and management employees hired prior to June 30, 1989, may receive benefits from age 55 to age 65. The District pays 100% of the eligible retirees' medical and dental plan premiums as well as the premiums of their dependents. Before receiving benefits, confidential and management employees must have 10 years of service with the District. Faculty must have a total of 15 years in education with at least 10 years of employment with the District. As of June 30, 2016, the District has one active full-time employees who are eligible for postretirement health benefits and 5 retirees who receive postemployment health benefits. One of the management retirees who receive postemployment health benefits met the hiring requirement and years of service requirement; and due to a disability, the age requirement was waived by the District. This was an isolated occurrence, and all other retirees met all criteria established.

Funding Policy

The District's agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements of the District and plan members are established and may be amended by the District's Board of Trustees through the collective bargaining process. The members receiving benefit contributions vary depending on the level of coverage selected.

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued

Annual OPEB Cost and Net OPEB Asset

For the year ended June 30, 2016, the District's annual OPEB cost was \$426,776. The District's OPEB cost and the net OPEB asset for the year ended June 30, 2016, were as follows:

Annual Required Contribution (ARC)	\$ 426,737
Interest on net OPEB obligation	(1,575)
Adjustment to ARC	1,614
Annual OPEB Cost	<u>426,776</u>
Contributions made:	
Actual employer contributions	<u>94,888</u>
Increase in net OPEB obligation	(331,888)
Net OPEB asset - July 1, 2014	<u>34,990</u>
Net OPEB asset - June 30, 2015	<u>\$ (296,898)</u>

The District's annual OPEB cost, and the net OPEB obligation (asset) for the years ended June 30, 2016, 2015, and 2014, were as follows:

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB Asset
June 30, 2016	\$ 426,776	\$ 94,888	22.23%	\$ (296,898)
June 30, 2015	\$ 243,949	\$ 147,365	60.41%	\$ 34,990
June 30, 2014	\$ 243,721	\$ 184,825	75.83%	\$ 131,574

Funded Status and Funding Progress

The funded status of the Plan as of the actuarial valuation date below, was as follows:

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
9/1/2015	\$ -	\$ 415,650	\$ 247,352	68%	\$ 97,081	254.79%

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents trend information for the July 1, 2009, and September 1, 2012, actuarial valuation dates as these are the most current studies since the implementation of GASB Statement No. 45.

Actuarial Methods and Assumptions

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

In the September 1, 2015, actuarial valuation, the entry-age normal cost method was used. The actuarial assumptions included a 4.5% discount rate based on the assumption that a substantial portion of the ARC is funded. Assumptions used were a 2.75% price inflation and a 2.75% wage inflation as well as an annual cost trend rate of 4.0%. Unfunded actuarial accrued liabilities are amortized over a 7-year period using the flat dollar amount method.

12. PENSION PLANS

Pension Plans – California Public Employees’ Retirement System (CalPERS)

General Information about the Pension Plan

Plan Description – The schools cost-sharing multiple-employer defined benefit pension plan (the Plan) is administered by the California Public Employees’ Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California. The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute.

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

12. PENSION PLANS, continued

Pension Plans – California Public Employees’ Retirement System (CalPERS), continued

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2016 are established by statute.

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Local Government is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the average active employee contribution rate is 6.974 percent of annual pay, and the employer’s contribution rate is 11.442 percent of annual payroll. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

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

At June 30, 2016, the District reported a liability of \$4,686,136 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was 0.032%. For the year ended June 30, 2016, the District recognized pension expense of \$287,613.

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

12. PENSION PLANS, continued

Pension Plans – California Public Employees’ Retirement System (CalPERS), continued

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

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	\$ -	\$ 160,457
Differences between expected and actual experience	267,819	-
Changes in assumptions	-	287,929
Changes in proportion and differences between District contributions and proportionate share of contributions	62,252	-
District contributions subsequent to the measurement date	459,016	-
	<u>\$ 789,087</u>	<u>\$ 448,386</u>

The \$789,087 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 113,818	\$ 139,400
2018	113,818	139,400
2019	102,435	129,472
2020	-	40,114
	<u>\$ 330,071</u>	<u>\$ 448,386</u>

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

13. PENSION PLANS, continued

Pension Plans – California Public Employees’ Retirement System (CalPERS), continued

Actuarial assumptions. For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and the June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

CalPERS

Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table*	Derived using CalPERS’ Membership Data for all Funds
Post Retirement Benefit Increase	Contract Cola up to 2.00% until Purchasing Power Protection allowance Floor on Purchasing Power applies, 2.75% thereafter

*The mortality table used was developed based on CalPERS specific data.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

12. PENSION PLANS, continued

Pension Plans – California Public Employees’ Retirement System (CalPERS), continued

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

Asset Class	New Strategic Allocation	Real Return Years	Real Return Years
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	100.00%		

*An expected inflation of 2.5% used for this period
 **An expected inflation of 3.0% used for this period

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

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate - The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50 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 in the following table:

	Discount Rates		
	-1% (6.65%)	(7.65%)	1% (8.65%)
Plan's net pension liability	\$ 7,627,077	\$ 4,686,136	\$ 2,240,547

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS CAFR at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2015pdf>.

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

12. PENSION PLANS, continued

Pension Plans – California State Teachers’ Retirement System (CalSTRS)

General Information about the Pension Plan

Plan Description – CalSTRS provides pension benefits to California full-time and part-time public school teachers from pre-kindergarten through community college and certain other employees of the public school system. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established these plans and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation

Benefits Provided - The State Teachers’ Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The Plans’ provisions and benefits in effect at June 30, 2015 are established by statute.

The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

Under California law, the DB Program receives contributions from members and employers set as a percentage of members’ earnings, in addition to contributions from the state’s General Fund and other sources. CalSTRS investment earnings finance the cost of administering the plan and offset the amount of contributions required to fund benefits. Unlike most other pension plans in California, the board does not have broad authority to raise contribution rates. Because contribution rates are set in statute, the authority to adjust them rests with the Legislature and the Governor.

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

12. PENSION PLANS, continued

Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued

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

Plan Contributions

		FY 2015-16 Rate	Ultimate Rate	Equivalent Rate*
EC § 22901 & § 22901.7	Members	8.150%	10.250% / 9.205%	9.654%
EC § 22950 & § 22951	Employers	8.250%	8.250%	8.250%
EC § 22950.5(a)	Employers - Supplemental**	0.630%	10.850%	8.662%
EC § 22950(c)	Employers for THBF***	0.000%	as needed	0.000%
EC § 22955.1(a)	State****	2.017%	2.017%	1.868%
EC § 22955.1(b)	State - Supplemental	1.437%	4.311%	3.794%
Equivalent Level Contribution Rate through June 30, 2046				32.228%

*Equivalent level contribution rate payable through June 30, 2046.

**Graded increases per schedule defined in the Education Code. The ultimate contribution will vary depending on the funded status. For purposes of this exhibit, it is assumed the ultimate rate specified in the graded schedule will not change in the future.

***The Teachers' Health Benefit Fund is financed by a redirection of employer contributions. The Teachers' Retirement Board has set aside DB Proram assets to finance these future costs. This is reflected in the valuation by adding the unfunded obligation for future THBF benefits to the Actuarial Obligation of the DB Program.

****The State's contribution of 2.017% is paid quarterly based on second prior fiscal year salaries.

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability totaled \$5,483,520.

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s proportionate share of total CalSTRS calculated employer contributions, including the State. At June 30, 2015, the District’s proportion was 0.008%.

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

12. PENSION PLANS, continued

Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued

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

For the year ended June 30, 2016, the District recognized pension expense of \$424,648 and revenue of the same amount for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 446,996
Differences between expected and actual experience	-	91,631
Changes in proportion and differences between District contributions and proportionate share of contributions	-	385,215
District contributions subsequent to the measurement date	414,466	-
	<u>\$ 414,466</u>	<u>\$ 923,842</u>

The \$414,466 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 113,818	\$ 139,400
2018	113,818	139,400
2019	102,435	129,472
2020	-	40,114
	<u>\$ 330,071</u>	<u>\$ 448,386</u>

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

12. PENSION PLANS, continued

Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued

Actuarial Assumptions

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

Discount rate	7.60%
Investment rate of return	7.60 %, net of investment expenses, but gross of administrative expenses. CalSTRS uses a 7.50 % assumed investment rate of return for funding purposes, which is net of administrative expenses.
Consumer price inflation	3.00%
Wage growth	3.75%
Post-retirement benefit increases	2.00% simple for DB Not applicable for DBS/CBB

Actuarial Assumptions

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

Asset Class	Actual Allocation as of June 30, 2015	Time-Weighted Performance Returns			
		1 Yr	3 Yr	5 Yr	10 Yr
Global Equity	57.30%	24.73%	13.00%	16.80%	8.30%
Fixed Income	15.50%	5.80%	4.60%	6.30%	5.50%
Real Estate	11.70%	14.50%	12.60%	8.00%	7.40%
Private Equity	11.50%	19.60%	13.00%	16.60%	13.80%
Cash/Liquidity	2.50%	0.60%	2.40%	5.60%	2.00%
Inflation Sensitive	0.70%	10.50%	5.80%	-	-
Absolute Return	0.80%	0.10%	0.30%	0.00%	-
Total	100.00%	18.70%	11.20%	13.70%	7.70%

**LASSEN COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016**

12. PENSION PLANS, continued

Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued

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

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

	Discount Rates		
	-1% (6.6%)	(7.6%)	1% (8.6%)
Plan's net pension liability	\$ 8,279,688	\$ 5,483,520	\$ 3,159,678

Pension plan fiduciary net position - Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS CAFR at <http://www.calstrs.com/comprehensive-annual-financial-report>.

13. COMMITMENTS AND CONTINGENCIES

Federal and State 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.

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

13. COMMITMENTS AND CONTINGENCIES, continued

Federal and State Allowances, Awards, and Grants, continued

State apportionment revenue is determined by the State, based on various financial and statistical information. In prior years, the California Community Colleges Chancellor's Office (the Chancellor's Office) conducted a review of various "minimum conditions" related to the determination of apportionment amounts for the District. Based on this review, the Chancellor's Office reduced prior years' apportionments by approximately \$2,000,000. During the year ended June 30, 2006, the District entered into a Resolution Agreement with the Chancellor's Office, which was superseded by an agreement dated August 29, 2008. Under the terms of the agreement, the District's future apportionments will be reduced by amounts ranging from \$100,000 to \$162,047 per year during the period from June 30, 2008, through June 30, 2018, until the prior years' overpayment has been repaid. Under the terms of the agreement, the District has the opportunity to reduce the contingent liability by producing evidence requested as part of the Chancellor's Office review, or by incurring certain expenditures. During the year ended June 30, 2016, the District did not incur any expenditure that was approved by the Chancellor's Office as a reduction to this liability.

14. JOINT POWERS AGREEMENTS

The District participates in joint ventures under joint powers agreements with the following joint powers authorities (JPAs): Northern California Community Colleges Self-Insurance Authority (NCCC SIA), Siskiyou County Schools Joint Powers Authority, and Siskiyou County Schools Dental JPA. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes. The JPAs arrange for and provide property, liability, workers' compensation, dental, vision, and excess liability coverage for their members.

Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The District's share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA. There has been no significant reduction in any of the insurance coverages from prior year. Settled claims resulting from these programs have not exceeded insurance coverage in each of the past three fiscal years.

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

15. RESTATEMENT

The beginning net position of the Foundation was increased by \$28,204 to agree to the Foundations adjusted balance after adjustments were made to properly reflect the prior year scholarship activity.

16. SUBSEQUENT EVENTS

The District evaluated subsequent events from June 30, 2016 through December 5, 2016, the date the financial statements were issued. The District concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**LASSEN COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF FUNDING PROGRESS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
9/1/2015	\$ -	\$ 415,650	\$ 247,352	68%	\$ 97,081	254.79%
9/1/2012	\$ -	\$ 780,094	\$ 780,094	0%	\$ 240,957	323.75%
7/1/2009	\$ -	\$ 1,431,270	\$ 1,431,270	0%	\$ 716,820	199.67%

**LASSEN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

CalSTRS	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.008%	0.009%
District's proportionate share of the net pension liability	\$ 5,483,520	\$ 5,074,767
States's proportionate share of the net pension liability associated with the District	2,900,169	3,067,422
Total	<u>\$ 8,383,689</u>	<u>\$ 8,142,189</u>
District's covered-employee payroll	\$ 3,862,684	\$ 3,888,341
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	142.0%	130.5%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%	76.5%
 CalPERS	 <u>June 30, 2016</u>	 <u>June 30, 2015</u>
District's proportion of the net pension liability	0.032%	0.032%
District's proportionate share of the net pension liability	\$ 4,686,136	\$ 3,577,974
District's covered-employee payroll	\$ 3,873,552	\$ 3,515,148
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	121.0%	101.8%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%	83.4%

**LASSEN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

CaISTRS	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 414,466	\$ 342,174
Contributions in relation to the contractually required contribution*	(414,466)	(342,174)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,862,684	\$ 3,888,341
Contributions as a percentage of covered-employee payroll	10.73%	8.80%

*Amounts do not include on behalf contributions

CalPERS	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 459,016	\$ 413,733
Contributions in relation to the contractually required contribution	(459,016)	(413,733)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,873,552	\$ 3,515,148
Contributions as a percentage of covered-employee payroll	11.85%	11.77%

**SUPPLEMENTARY
INFORMATION**

**LASSEN COMMUNITY COLLEGE DISTRICT
 ORGANIZATION STRUCTURE
 JUNE 30, 2016**

The forerunner of Lassen Community College began on May 4, 1925, when the Junior College Department of the Lassen Union High School District was established and began conducting classes on the Lassen High School campus.

A separate facility was created in 1941; and in 1947, because of increasing enrollment, a new building was constructed adjacent to the high school.

The modern era of Lassen Community College began in March 1965 with the establishment of the Lassen Community College District and the separation from the high school district.

The District provides higher education instruction for the first and second years of college education and vocations training at Lassen Community College.

GOVERNING BOARD

NAME	OFFICE	TERM EXPIRES
Tim Purdy	President	November 2016
Buck Parks	Vice President	November 2016
Kim Dieter	Member	November 2016
Shaun Giese	Member	November 2016
Louis Hamilton	Member	November 2018
Thomas Holybee	Member	November 2018
Sophia Wages	Member	November 2018
Jacob Zalusky	Student Trustee	June 2016

DISTRICT ADMINISTRATION

Marlon R. Hall, Ed. D.
Superintendent/President

Dr. Terri Armstrong
VP of Academic Services

Mr. Brian Murphy
Associate Dean of Institutional Effectiveness and Research

Mr. Patrick Walton
Dean of Student Services

Mr. Dave Clausen
VP of Administrative Services

**LASSEN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
ANNUAL/ACTUAL ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The full-time equivalent resident students (FTES) eligible for 2015-16 state apportionment reported to the Chancellor's Office as of June 30, 2016, are summarized below:

CATEGORIES	Reported Data	Audit Adjustments*	Audited Data
A. Summer Intersession (Summer 2015 only)			
1. Noncredit	15.98	-	15.98
2. Credit	16.33	-	16.33
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit	-	-	-
2. Credit	145.54	-	145.54
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	465.70	-	465.70
(b) Daily Census Contact Hours	245.00	-	245.00
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	44.76	-	44.76
(b) Credit	51.80	-	51.80
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	467.71	-	467.71
(b) Daily Census Contact Hours	41.57	-	41.57
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	1,494.39	-	1,494.39
Supplemental Information (subset of above information)			
E. In-service Training Courses	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Credit	159.49	-	159.49
2. Noncredit	36.31	-	36.31
Total Basic Skills FTES	195.80	-	195.80
CCFS 320 Addendum			
CDCP Noncredit FTES	-	-	-
Centers FTES			
1. Credit	-	-	-
2. Noncredit	-	-	-
Total Centers FTES	-	-	-

**LASSEN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through/ Grant Number	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Financial Aid Cluster			
Federal Supplemental Education Opportunity Grants	*	84.007	\$ 147,150
Federal Work Study Program	*	84.033	268,334
Federal Pell Grant Program	*	84.063	1,506,075
Federal Direct Student Loans	*	84.268	335,757
Total Financial Aid Cluster			<u>2,257,316</u>
Higher Education - Institutional Aid	*	84.031A	318,435
Passed Through California Department of Education			
Career and Technical Education - Basic Grants to States	13-C01-025	84.048	171,858
Career and Technical Education - Technical Preparation	13-112-130	84.051	<u>45,119</u>
Total U.S. Department of Education			<u>2,792,728</u>
U.S. DEPARTMENT OF AGRICULTURE			
Child and Adult Care Food Program	*	10.558	18,056
Passed Through State Department of Forestry			
Schools and Roads - Grants to States	*	10.665	<u>63,182</u>
Total U.S. Department of Agriculture			<u>81,238</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Post-Vietnam Era Veterans' Educational Assistance	*	64.120	<u>490</u>
Total U.S. Department of Veterans Affairs			<u>490</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,874,456</u>

*Pass-Through number is either not available or not applicable

**LASSEN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Program Revenues				
	Accounts			Total Revenue	Program Expenditures
	Cash Received	Receivable (Payable)	Grantor Advances		
Disabled Students Programs and Services	\$ 217,826	\$ -	\$ -	\$ 217,826	\$ 217,826
Extended Opportunity Programs and Services	424,592	-	-	424,592	424,592
CalWORKs	123,136	-	6,840	116,296	121,337
Student Success (Credit)	864,828	-	434,502	430,326	430,325
Student Success (Non Credit)	37,959	-	37,919	40	40
Student Equity	354,904	-	128,511	226,393	226,393
Cal Grant	96,224	-	-	96,224	96,224
Cal Grant Full Time Incentive	55,425	-	24,525	30,900	30,900
BFAP	185,525	-	-	185,525	185,525
Part-Time Faculty Allocation	85,791	-	-	85,791	85,791
Kinship Education	38,201	34,255	-	72,456	72,456
Foster Youth	-	2,555	-	2,555	2,555
Cooperative Agency Resources Education	61,419	-	-	61,419	61,419
Basic Skills	159,163	-	65,679	93,484	93,485
Scheduled Maint/Physical Plant	514,580	-	122,981	391,599	391,599
Inst Equip & Library	106,388	-	45,652	60,736	60,736
State Mandated Costs	1,005,886	-	-	1,005,886	1,005,886
Staff Diversity	3,265	-	-	3,265	3,576
General Child Care	103,585	-	-	103,585	103,585
Reimb Maintenance Allowance	14,513	-	-	14,513	14,513
State Preschool	101,285	-	-	101,285	101,285
State Food Program	1,122	-	-	1,122	1,122
CD Consortium	975	-	-	975	328
TANF	36,322	(6,627)	-	29,695	29,695
AB 86 Adult Ed	160,266	-	138,556	21,710	21,710
AB 104 Adult Ed	840,000	-	553,847	286,153	286,153
Prop 39 Clean Energy	156,925	-	150,538	6,387	6,387
IDRC	156,833	(14,586)	-	142,247	142,247
Prop 20 Lottery	102,638	-	-	102,638	102,638
Inmate Education Grant	160,000	32,976	-	192,976	192,976
World of Work	15,000	-	11,023	3,977	3,977
Total State District Funding	\$ 6,184,576	\$ 48,573	\$ 1,720,573	\$ 4,512,576	\$ 4,517,281

**LASSEN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCSF-311) WITH
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

There were no adjustments or reclassifications necessary to reconcile the Annual Financial and Budget Report (Form CCFS-311) with the audited statement of net position and statement of revenues, expenses, and changes in net position other than those items related to GASB Statement Nos. 34 and 35.

**LASSEN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) 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	2,366,012	-	2,366,012	2,366,012	-	2,366,012
Other	1300	1,193,616	-	1,193,616	1,193,616	-	1,193,616
Total Instructional Salaries		3,559,628	-	3,559,628	3,559,628	-	3,559,628
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	397,979	-	397,979
Other	1400	-	-	-	80,899	-	80,899
Total Non-Instructional Salaries		-	-	-	478,878	-	478,878
Total Academic Salaries		3,559,628	-	3,559,628	4,038,506	-	4,038,506
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	1,863,854	-	1,863,854
Other	2300	-	-	-	119,667	-	119,667
Total Non-Instructional Salaries		-	-	-	1,983,521	-	1,983,521
Instructional Aides							
Regular Status	2200	208,161	-	208,161	208,161	-	208,161
Other	2400	61,317	-	61,317	61,317	-	61,317
Total Instructional Aides		269,478	-	269,478	269,478	-	269,478
Total Classified Salaries		269,478	-	269,478	2,252,999	-	2,252,999
Employee Benefits	3000	1,244,380	-	1,244,380	2,737,461	-	2,737,461
Supplies and Materials	4000	-	-	-	168,590	-	168,590
Other Operating Expenses	5000	252,013	-	252,013	1,784,145	-	1,784,145
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		5,325,499	-	5,325,499	10,981,701	-	10,981,701
<u>Exclusions</u>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	27,744	-	27,744	27,744	-	27,744
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	67,144	-	67,144
Object to Exclude							
Rents and Leases	5060	-	-	-	43,308	-	43,308
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	-	-	-	-	-	-
Non-inst. Supplies & Materials	4400	-	-	-	114,543	-	114,543
Total Supplies and Materials		-	-	-	114,543	-	114,543
Other Operating Expenses and Services	5000	-	-	-	182,536	-	182,536
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ 27,744	\$ -	\$ 27,744	\$ 435,275	\$ -	\$ 435,275
Total for ECS 84362, 50% Law		\$ 5,297,755	\$ -	\$ 5,297,755	\$ 10,546,426	\$ -	\$ 10,546,426
Percent of CEE (Instructional Salary Cost/Total CEE)		50.23%	0.00%	50.23%	100.00%	0.00%	100.00%
50% of Current Expense of Education					\$ 5,273,213	\$ -	\$ 5,273,213

**LASSEN COMMUNITY COLLEGE DISTRICT
 DETAILS OF THE EDUCATION PROTECTION ACCOUNT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Object Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
EPA PROCEEDS	8630				\$ 2,106,099
ACTIVITY CLASSIFICATION					
Instructional activities	0100-5900	\$ 2,106,099	\$ -	\$ -	2,106,099
Total Revenue Less Expenses					<u>\$ -</u>

**LASSEN COMMUNITY COLLEGE DISTRICT
NOTE TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

PURPOSE OF SCHEDULES

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

A full-time equivalent student is a measurement of the number of hours students attend classes. 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.

Schedules of Expenditures of Federal and State Awards

These schedules are prepared on the modified accrual basis of accounting. OMB Circular A-133 requires disclosure of the financial activities of all federally funded programs. These schedules were prepared to comply with OMB Circular A-133 and state requirements.

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements

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 other than those adjustments related to the conversion required by GASB Statement Nos. 34 and 35.

Reconciliation of ECS 84362 (50 Percent Law) Calculation

This schedule provides the information necessary to reconcile the 50% law calculation as reported on the Form CCFS-311 to the audited financial statements.

Details of the Education Protection Account Expenditures

This schedule provides the information necessary to reconcile the Education Protection Account Expenditures reported on the Form CCFS-311 to the audited financial statements.

**OTHER INDEPENDENT
AUDITORS' REPORTS**



INDEPENDENT AUDITORS' 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

The Board of Trustees
Lassen Community College District
Susanville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lassen Community College District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Lassen Community College District's basic financial statements, and have issued our report thereon dated December 5, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lassen 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 the Lassen Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lassen Community College District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. Control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lassen 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.

CWDL, Certified Public Accountants

San Diego, California
December 5, 2016



COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

The Board of Trustees
Lassen Community College District
Susanville, California

Report on Compliance for Each Major Federal Program

We have audited Lassen 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 Lassen Community College District's major federal programs for the year ended June 30, 2016. Lassen 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 Lassen 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 Lassen Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Lassen 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 Lassen 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 Lassen 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.

CWDL, Certified Public Accountants

San Diego, California
December 5, 2016



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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

The Board of Trustees
Lassen Community College District
Susanville, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2016.

Procedures Performed

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

- Section 421 – Salaries of Classroom Instructors (50 Percent Law)
- Section 423 - Apportionment for Instructional Service Agreements/Contracts
- Section 424 - State General Apportionment Funding System
- Section 425 - Residency Determination for Credit Courses
- Section 426 - Students Actively Enrolled
- Section 427 - Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 429 – Student Success and Support Program (SSSP)
- Section 430 – Scheduled Maintenance Program
- Section 431 - Gann Limit Calculation
- Section 435 - Open Enrollment
- Section 438 - Student Fees – Health Fees and Use of Health Fee Funds
- Section 439 – Proposition 39 Clean Energy
- Section 440 – Intersession Extension Program
- Section 475 - Disabled Student Programs and Services (DSPS)
- Section 479 - To Be Arranged Hours (TBA)
- Section 490 - Proposition 1D State Bond Funded Projects
- Section 491 - Proposition 30 Education Protection Account Funds

Purpose of this Report

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

CWDL, Certified Public Accountants

San Diego, California
December 5, 2016

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

**LASSEN COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
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

Internal control over major 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 major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
84.007, 84.033 84.063, 84.268	Student Financial Aid Cluster

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

STATE AWARDS

Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>
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**LASSEN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 identified during 2015-16.

**LASSEN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported under Uniform Guidance.

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

**LASSEN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 identified during 2015-16

**LASSEN COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

2015-001: GANN LIMIT CALCULATION

Condition

The source figure used for the calculation of the 2014-15 Gann limit was \$8,807,977, which differed from the final appropriations limit from 2013-14 of \$10,716,714.

Criteria

Article XIII-B of the California Constitution and Chapter 1205, Statutes of 1980, require each community college to compute its annual appropriation limit. Government Code, Section 7908(c) requires each community college district to report to the Chancellor of the California Community Colleges and to the Director of the Department of Finance at least annually its appropriation limit, appropriations subject to limit, state aid apportionments, subventions included within property tax proceeds and amounts excluded from the appropriations subject to limit. The source figure used for the calculation of the 2014-15 Gann limit must agree with the final appropriations limit from 2013-14.

Effect

The Gann limit was calculated incorrectly. The District subsequently revised its calculation of the Gann limit to include the correct final appropriations limit from the 2013-14 calculation, and thus generate the correct final appropriations limit for 2014-15. There is no questioned cost associated with this finding.

Recommendation

We recommend that the District establish procedures to ensure that the Gann limit will be calculated accurately going forward.

Response

The District has established procedures to ensure that the GANN limit will be calculated accurately, in accordance with the provisions of Article XIII-B of the California Constitution and Chapter 1205, Statutes of 1980, going forward.

Current Year Status

Implemented.