

LAKE TAHOE COMMUNITY
COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lake Tahoe Community College District
South Lake Tahoe, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component unit (Lake Tahoe Community College Foundation), and the aggregate remaining fund information of Lake Tahoe Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2016-2017 *Contracted District Audit Manual*, 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 the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 2 and 11 to the financial statements, in 2017, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other than Pension Plans* and GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying unaudited supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 District's internal control over financial reporting and compliance.

Vavrinek, Ture, Day & Co LLP

Pleasanton, California
December 5, 2017

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

The discussion and analysis of Lake Tahoe Community College District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of the "Management's Discussion and Analysis" is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial standing, this analysis should be read in conjunction with the entire Independent Auditor's Report, particularly the District's financial statements beginning on page 13, and the notes to the basic financial statements beginning on page 22.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." Statement No. 35 was subsequently released, defining financial reporting for public colleges and universities. The financial statements in this report have been prepared in accordance with these standards.

The California Community College Chancellor's Office, through its Fiscal and Accountability Standards Committee, has recommended the Business Type Activity (BTA) model for financial reporting. Lake Tahoe Community College District has adopted the BTA reporting model for these financial statements.

To provide a more meaningful analysis of the District's financial information, certain comparative information is required to be presented in the MD&A. The reader will find comparative information relative to Full Time Equivalent Student enrollment (FTES) as well as key highlights of the audited financial statements.

As required, the annual report consists of three basic financial statements that provide information on the District as a whole:

- Statement of Net Position
- Statement of Revenues, Expenses and Change in Net Position
- Statement of Cash Flows

Financial Highlights

- The 2016-17 State Budget Act was adopted on June 27, 2016. This state budget reflects an economy that has expanded for seven consecutive years and begins to prepare for a recession in the future. This is reinforced by the limiting of new ongoing spending obligations and increasing the state's rainy day fund. The FY16-17 budget does not provide a COLA, and it contains significantly less one-time revenue. The budget includes approximately \$168,000 in one-time revenue, a significant decrease from the almost \$1 million received in FY15-16. It also includes approximately \$150,000 of new funding to the base allocation from the state, as well as an increase to the marginal FTES funding rate to \$5,004 per FTES.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

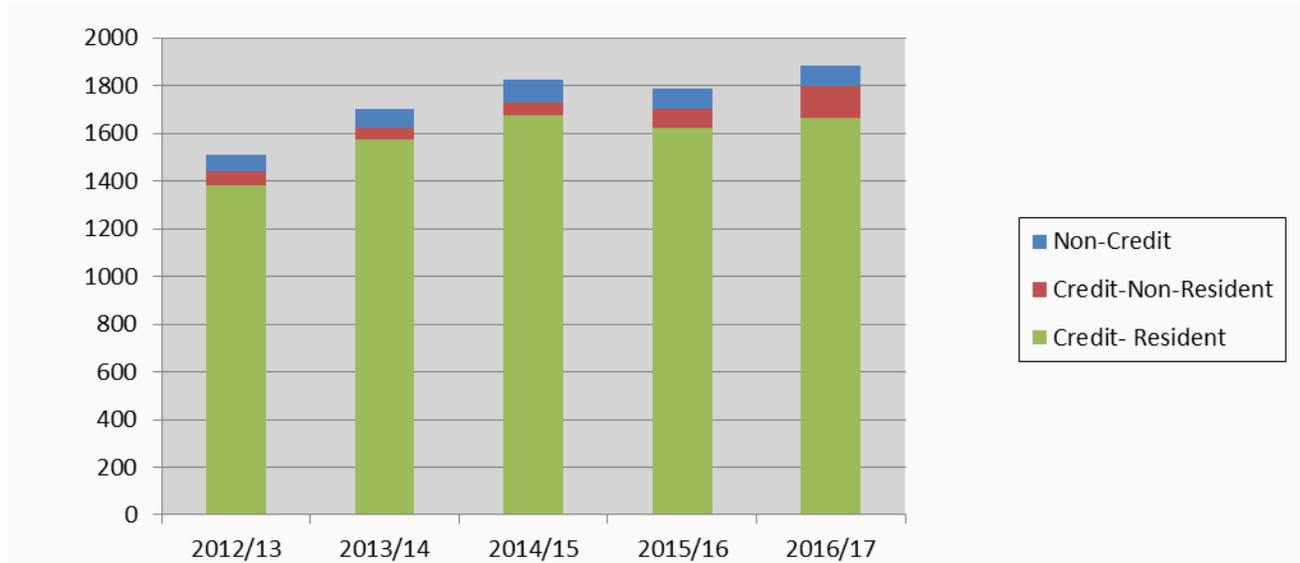
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Financial Highlights (Continued)

The following chart summarizes the past five years of enrollment:

FTES Growth/Decline
2012/13 – 2016/17



For the fiscal year 2016-17, each non-credit FTES was funded at \$3,010.10 per student and \$5,005.75 for each non-credit CDCP student. Each resident credit FTES was funded at a rate of \$5,135.60. The District again qualified for “stability funding” in FY15-16 and will have until 2018-19 to restore FTES and corresponding funding to that of actual FTES of 1761 based on 2014-15 amounts. LTCC is in the second of three years of restoration of the 66 FTES that were stabilized in FY15-16. The district received an additional 84.74 credit and 3.83 non-credit FTES adjustment. This adjustment allowed the district to end the year at 1,739 FTES which was 22 FTES below the target and full restoration.

Ancillary Programs

- The District’s Bookstore is operated by Barnes & Noble. In the past few years the District received a percentage of revenues from Barnes & Noble each year based upon the following scale:
 - 4% on all gross sales up to \$500,000.
 - 5% on all gross sales over \$500,000.
 - The district received \$18,354 in commissions from Barnes & Noble for the 2016-17 fiscal year.

The new contract with Barnes & Noble for the period of July 1, 2017 – June 30, 2019 states that the District will receive a percentage of revenues from Barnes & Noble upon the following scale:

- 0% on all gross sales up to \$500,000
 - 2% on all gross sales up to \$500,000
- The Child Development Center (CDC) was designed with the idea of service for the child, the child's family, LTCC and the community. The CDC also provides training for students interested in becoming teachers of children through observation and on-site participation. The operating deficit in fiscal year 2016-17 was \$41,105 which was partially covered with a \$30,000 subsidy from the general fund.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- A Community Education program was launched in 2011-12 to meet the needs of community members affected by the new repeatability regulations and those desiring enrichment courses. These courses are not subsidized by State apportionment and are instead funded solely by enrollment fees. In 2016-17 this program generated \$288,500 in revenue and provided over 232 workshops to approximately 2,090 participants.

Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the modified-accrual basis of accounting, which is different than the methods of accounting used by most private-sector institutions. Net position, defined as the difference between assets and liabilities, is one way to measure the financial health of the District.

ASSETS	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Current Assets			
Cash and cash equivalents	\$ 12,030,518	\$ 22,400,789	-46.3%
Accounts receivable, net	1,258,882	630,095	99.8%
Prepaid expenses and security deposits	32,192	22,317	44.2%
Total Current Assets	<u>13,321,592</u>	<u>23,053,201</u>	-42.2%
Noncurrent Assets			
Other post employment benefits	-	3,562	100.0%
Capital assets, net	36,940,030	29,772,847	24.1%
Total Noncurrent Assets	<u>36,940,030</u>	<u>29,776,409</u>	24.1%
TOTAL ASSETS	<u>\$ 50,261,622</u>	<u>\$ 52,829,610</u>	-4.9%
DEFERRED OUTFLOWS OF RESOURCES			
Current year deferred outflows	<u>\$ 3,652,360</u>	<u>\$ 3,348,478</u>	9.1%

- Total assets for the District decreased 4.9% in fiscal year 2016/17 from the previous fiscal year.
- Cash and cash equivalents decreased by 46.3% due to the expenditure of bond funds.
- Receivables increased 99.8% year over year primarily due to the increased expenditures on the University Center in the amount of \$378,000 due from the Foundation as well as residual expenses for major water damage in the amount of \$135,000 not yet reimbursed by insurance.
- Included in capital assets are the net values of buildings, land and equipment. The capitalization threshold is \$5,000 or higher based upon original acquisition cost and capital assets by nature must have a life of longer than one year. Capital assets increased 24.1% due to construction in process, and completed projects offset by annual depreciation expense.
- Deferred outflows include items related to the implementation of GASB 68 *Accounting and Financial Reporting for Pensions* and deferred charges on refunded bonds.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Statement of Net Position (Continued)

LIABILITIES	2017	2016	% Change
Current Liabilities			
Accounts payable	\$ 275,240	\$ 864,343	-68.2%
Accrued payroll and related liabilities	492,547	548,304	-10.2%
Accrued interest	302,943	314,943	-3.8%
Due to fiduciary funds	756	2,776	-72.8%
Unearned revenue	1,452,289	1,439,804	0.9%
Long term debt - current portion	872,538	1,661,240	-47.5%
Total Current Liabilities	<u>3,396,313</u>	<u>4,831,410</u>	-29.7%
Noncurrent Liabilities			
Compensated absences payable - noncurrent portion	420,913	377,260	11.6%
Bonds payable - noncurrent portion	17,311,792	18,173,710	-4.7%
Lease obligations	33,421	2,755	100.0%
Aggregate net pension obligation	12,866,555	10,948,832	17.5%
Other post employment benefits	970,719	-	100.0%
Total Noncurrent Liabilities	<u>31,603,400</u>	<u>29,502,557</u>	7.1%
TOTAL LIABILITIES	<u>\$ 34,999,713</u>	<u>\$ 34,333,967</u>	1.9%
DEFERRED INFLOWS OF RESOURCES			
Difference between projected and actual earnings on pension plan investments	<u>\$ 1,366,712</u>	<u>\$ 2,522,308</u>	-45.8%

- Accounts payable amounts decreased 68.2%. as with every year end it is our intent to request, receive and process invoices prior to year-end deadlines; however, this heavily relies on the vendors used. The decrease in FY16-17 is primarily due to our success in collecting and processing invoices for work completed and items received during the year as opposed to accruing them. In addition, FY16-17 had no Golden Handshake accrual.
- Accrued payroll decreased 10.2% due to variations in scheduling that shift the number of sections and days of wages earned in June but not paid until July 2017.
- Due to fiduciary funds decreased 72.8% due to changes in timing of transfers of funds to the irrevocable trust to fund other post employment benefits.
- Unearned revenue increased a small 0.9% over last year. The largest deferrals are that of Adult Education \$416,438 (categorical), Student Success \$234,316 (categorical), and Tuition and associated fees \$204,050 (general fund).
- Compensated absences represent the dollar value of accrued vacation leave, compensatory time and banked faculty load. They are classified as a “non-current” liability as we cannot predict the amount that will be paid out in the subsequent year.
- Long-term debt consists of retiree health benefits payable, early retirement incentives, and the principal portion of financing capital projects. Banked faculty load remained about the same as the previous year. Long-term debt is reported both under current and non-current liabilities. The current portion of long-term debt decreased 47.5% and the non-current portion increased by 7.1%. These changes are due primarily to pay off of the Library Lease Revenue Bond funded by the General Obligation Bond offset by an increase in pension liabilities for STRS and PERS and the implementation of GASB 74/75.
- Aggregate net pension liability related to the District’s share of unfunded PERS and STRS pension plan liabilities is included due to GASB 68 *Accounting and Financial Reporting for Pensions*.
- Deferred inflows are a category of items related to the implementation of GASB 68 *Accounting and Financial Reporting for Pensions*. This amount consists of the difference between projected and actual earnings on pension plan investments as used in the actuarial studies.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Statement of Net Position (Continued)

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Invested in capital assets, net	\$ 20,262,218	\$ 10,768,728	88.2%
Restricted or reserved	6,792,237	17,108,925	-60.3%
Unrestricted	(9,506,898)	(8,555,840)	11.1%
Total Net Position	<u>\$ 17,547,557</u>	<u>\$ 19,321,813</u>	-9.2%

- Net position invested in capital assets includes the net value of all capital assets net of accumulated depreciation, and related outstanding debt used to purchase the capital assets.
- Restricted amounts include reserves for encumbrances, capital projects, stores, and prepaid items.
- Unrestricted net assets reflect the remaining balance of unrestricted assets in all funds and includes the results of the aggregate net pension liability related to the District's share of unfunded PERS and STRS pension plan liabilities due to GASB 68 *Accounting and Financial Reporting for Pensions* and Unfunded Other Post Employment Benefit Plan liabilities and the implementation of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other than Pension Plans* and GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*.

Statement of Revenues, Expenses and Change in Net Position

"The Statement of Revenues, Expenses and Change in Net Position" presents the operating results of the District, as well as the non-operating revenues and expenses. State general apportionment, while budgeted for in operations, is considered non-operating revenue according to Generally Accepted Accounting Principles.

As reported in the statement of revenues, expenses, and changes in net position on page 14 of this report, the cost of all the District's governmental activities this year was \$24,846,709. The amount funded through local taxpayers by means of property taxes and other revenue was \$5,620,614; a decrease of 8.0% from the previous fiscal year. Unrestricted state apportionment totaled \$8,762,939, decreased 1.6% primarily due to a decrease of 22 FTES from FY 15-16 as well as lower EPA funding due to the expiration of the 0.25% increase in the sales and use tax as noted in Proposition 30.

Net tuition and fees decreased 6.0% in fiscal year 2016/17 primarily due to a decrease of approximately 67 non-resident FTES. This is in comparison with FY15-16, in which there was a large spike of international FTES due to a club soccer program that is not anticipated in future years. Federal grants awarded to the District increased year-over-year due to the newly awarded Title III grant as well as increased funding for the RIO Upward Bound and TRIO Talent Search programs. State and local grants increased primarily due to the insurance reimbursement for the Winter Break water damage expense and an increase in Adult Education spending over FY15-16. State /Local Taxes and Other Revenue decreased primarily due to decreased Bond Interest and Redemption from FY15-16 as no Series were sold in FY16-17.

REVENUE SOURCE	<u>2017</u>	<u>2016</u>	<u>% Change</u>
OP-Net Tuition and Fees	\$ 2,076,976	\$ 2,208,564	-6.0%
NO-Federal Grants	2,654,888	2,513,961	5.6%
NO-State/Local Grants	6,274,761	4,827,192	30.0%
NO-Appportionment	8,762,939	8,907,460	-1.6%
NO-State/Local Taxes, Other Revenue Net of Uses	5,620,614	6,118,063	-8.1%

OP: Operating NO: Non-Operating

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Statement of Revenues, Expenses and Change in Net Position (Continued)

Total operating expenses increased approximately 24.1% from the previous fiscal year with the largest increases occurring in salaries and benefits primarily due to the changes in OPEB reporting and in STRS and PERS liabilities associated with pension plans. The non-operating interest expense reflects the interest cost the general obligation and lease revenue bonds.

The following table summarizes expenditures by expense category.

EXPENSE CATEGORY	2017	2016	% Change
OP-Salaries	\$ 10,592,979	\$ 10,243,679	3.4%
OP-Benefits	4,473,467	2,622,976	70.5%
OP-Supplies/Other Operating	6,290,359	4,922,550	27.8%
OP-Payments to Students	1,922,281	2,121,988	-9.4%
OP-Depreciation	1,567,623	1,415,145	10.8%
NO-Interest Expense	1,689,715	58,516	2787.6%

OP: Operating *NO: Non-Operating*

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This statement also helps readers assess the District's ability to generate net cash flows, its ability to meet its obligations and its need for external financing.

Cash (used in) provided by:	2017	2016	% Change
Operating activities	\$ (21,726,718)	\$ (18,236,791)	19.1%
Non-capital financing activities	20,989,186	21,416,742	-2.0%
Capital and related financing activities	(9,632,739)	16,837,825	-157.2%
Net increase (decrease) in cash and cash equivalents	(10,370,271)	20,017,776	-151.8%
Cash and cash equivalents- Beginning of fiscal year	22,400,789	2,383,013	840.0%
Cash and cash equivalents - End of fiscal year	<u>\$ 12,030,518</u>	<u>\$ 22,400,789</u>	-46.3%

- Operating activities include tuition and fees revenues, revenues from grants, operating expenditures, and payments on behalf of the auxiliary enterprises.
- Construction projects and capital debt are reported in capital and related financing activities. The significant decrease in net cash provided by capital and related financing activities is a result of greatly increased expenditures funded by the 2014 Measure F Election Series A general obligation bond.
- Investing activities include interest and capital gains on District investments.
- Overall, cash at the end of the year decreased significantly due to the greatly increased expenditures of the 2014 Measure F Election Series A general obligation bond.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Factors That May Affect the Future

- The District saw a reduction in actual full-time equivalents from the adopted budget. Heading into FY17-18, 1739 FTES are projected with the following 5 areas anticipated to have the most impact:
 - The South Bay Regional Public Safety Training Consortium Partnership (SBRPSTC) is projected for a conservative 288 FTES in 2017-18 due to an unanticipated reduction of 60 FTES in 2015-16.
 - Incarcerated Students Program is projected for moderate growth in 2017-18 with the expectation of 128 FTES.
 - The Dual Enrollment Program, in its third year of partnership with Lake Tahoe Unified School District which now includes freshman and sophomores in the program, is expected to result in 32 FTES.
 - The California Nevada Interstate Agreement (CNIA) allows up to 100 students annually that are residents of neighboring Nevada zip codes in the Lake Tahoe basin to attend LTCC at a discounted Non-Resident rate. This policy which was new in 2016-17 replaces the Good Neighbor Policy which was eliminated in 2011. The anticipated FTES from this new agreement is 10 FTES.
 - In 2016-17 the district received an additional 84.74 credit and 3.83 non-credit FTES adjustment. This adjustment allowed the district to end the year at 1,739 FTES which was 22 FTES below the target and full restoration.
- The State of California adopted its 2017-18 budget as per statutory law on-time for the seventh consecutive year. The budget reflects an economy that has expanded for eight consecutive years and begins to prepare for a recession in the future. The governor made a priority to reinforce the idea that a recession will occur in the future, and according to historical analysis, it will occur in the next few years. The 17-18 state budget reinforces this idea by limiting new ongoing spending obligations and increasing the state's rainy day fund. The effects of the State budget will be as follows:
 1. One-time revenue of \$168,000 is expected which is a significant decrease from the almost \$1 Million received in 2015/16. These are to be used for one-time expenses and the college should be vigilant in the use of these funds for one-time purposes to avoid incurring expenses as these funds are not guaranteed in 2017/18.
 2. The state budget includes approximately \$275,000 to increase general operating expense funding intended to partially assist with rising PERS and STRS costs.
 3. 1.56% cost of living adjustment (COLA) to computational revenue.
 4. The District is the fiscal agent for the Adult Education Block Grant (AEBG) which is budgeted \$850,318 for the annual allocation, plus approximately \$339,000 in 16-17 deferred revenue.
 5. The Strong Workforce program to improve and expand efforts for workforce, consistent with recommendations from the Workforce Task Force will be funded for approximately \$329,239 (\$181,085 regional, \$148,154 local) plus approximately \$285,345 (\$161,051 regional, \$124,294 local).
- Health and welfare benefit costs have continued to increase each year. The District has negotiated options to control the employer cost of the health plans, including having employees cover the cost differential of any plan that exceeds the Health and Welfare cap of \$18,456.
- The District established a separate Retiree Benefit Fund, Fund 69, in 2012-13 and has continued to prefund the costs of retiree benefits into 2016-17. In addition, the District established a new Other Post Retirement Benefits Trust Fund (OPEB), Fund 79, in 2013-14 and transferred \$176,997 in the current year to this fund which is equal to the Annual Required Contributions (ARC) as established by the Amortization of Unfunded Actuarial Accrued Liability (UAAL). The funds transferred to the OPEB trust will be invested and are permanently restricted for the purpose of providing future post-retirement benefits.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- **Factors That May Affect the Future (Continued)**
 - Projected increases to Public Employees Retirement System (PERS) and State Teachers Retirement System (STRS) will impact the District's budget in future years. Employer contributions to PERS are projected to increase annually to reach 23.8% by 2020-21 up from 13.888% in 2016-17. Employer contributions to STRS are also projected to increase annually up to 19.1% in 2020-21 up from 12.58% in 2016-17.
 - In recent years, the college has strategically used reserves to help offset costs while attempting to restore its FTES levels. The EFB was projected to be 15.25% in FY 16-17; however, this included \$250,000 of STRS/PERS Reserve which has been transferred to Fund 69 in FY16-17. With this transfer the revised projected EFB is 13.64%. Through additional funding and conservative spending the actual EFB (excluding the \$350,000 STRS PERS Reserve, previously \$250,000) was 15.17% followed with a slightly lower projected EFB of 14.94%, for FY17-18. Although the EFB seems to have gained strength, long-term projections indicate that revenue will be fairly flat in 2017-18 and that a recession is historically eminent. This could be a threat to the college's finances because there are minimal reserves beyond the 10% floor to help offset reductions in future fiscal years.
 - Full-time equivalent students (FTES) is one of the college's biggest challenges. The budget for 2017-18 is built based on the actual FTES from 2016-17 which includes an additional 84.74 credit and 3.83 non-credit FTES adjustment due to emergency conditions at the beginning of the Winter Quarter which resulted in 22 FTES below the target and full restoration. If these additional 88.57 FTES are not achieved on top of not reaching restoration, the college's revenue picture will be greatly impacted. There is also concern regarding the decline of FTES on campus and speculation on whether or no the local decline will continue. LTCC should not become overly dependent on the FTES and corresponding revenue from the South Bay Regional Public Safety Training Consortium and the Incarcerated Students Program. Regulatory changes could threaten those programs in the future.
 - The passage of Measure F, a \$55 million dollar Proposition 39 general obligation bond, will provide funding for maintenance and repair and modernization of existing facilities as well as the construction of new facilities. In addition, the bond allowed for the prepayment of the outstanding \$1,395,000 in lease revenue bonds in 2016-17 that were used to construct the Library building. Paying down the bonds has freed up approximately \$140,000 annually from the general fund that would have been used to pay the principal and interest on these bonds. Additionally, funds that would have been necessary to pay for the maintenance and repair of aging facilities will be freed up for other purposes. The modernization of the facilities will also result in significant savings in utility expenses as inefficient boilers and electrical systems are replaced with more energy efficient equipment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Lake Tahoe Community College District, Russi Egan, Vice President of Administrative Services of Lake Tahoe Community College egan@ltcc.edu or (530)541-4660.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

**STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2017**

ASSETS

Current Assets

Cash and cash equivalents	\$ 12,030,518
Accounts receivable, net	1,258,882
Prepaid expenses and security deposits	32,192
Total Current Assets	<u>13,321,592</u>

Noncurrent Assets

Nondepreciable capital assets	10,685,152
Depreciable capital assets, net of depreciation	26,254,878
Total Noncurrent Assets	<u>36,940,030</u>
TOTAL ASSETS	<u>50,261,622</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding	134,739
Deferred outflows of resources related to pensions	3,517,621
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,652,360</u>

LIABILITIES

Current Liabilities

Accounts payable	275,240
Accrued payroll and related liabilities	492,547
Interest payable	302,943
Due to fiduciary funds	756
Unearned revenue	1,452,289
Bonds payable - current portion	861,918
Lease obligations - current portion	10,620
Total Current Liabilities	<u>3,396,313</u>

Noncurrent Liabilities

Compensated absences payable	420,913
Bonds payable - noncurrent portion	17,311,792
Lease obligations - noncurrent portion	33,421
Other postemployment benefits - noncurrent portion	970,719
Aggregate net pension obligation	12,866,555
Total Noncurrent Liabilities	<u>31,603,400</u>
TOTAL LIABILITIES	<u>34,999,713</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	<u>1,366,712</u>
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NET POSITION

Net investment in capital assets	20,262,218
Restricted for:	
Debt service	952,069
Capital projects	5,605,893
Educational programs	221,798
Other activities	12,477
Unrestricted	(9,506,898)
TOTAL NET POSITION	<u>\$ 17,547,557</u>

The accompanying notes are an integral part of these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES

Student Tuition and Fees	\$ 3,103,945
Less: Scholarship discount and allowance	(1,026,969)
TOTAL OPERATING REVENUES	<u>2,076,976</u>

OPERATING EXPENSES

Salaries	10,592,979
Employee benefits	4,473,467
Supplies, materials, and other operating expenses and services	6,290,359
Student financial aid	1,922,281
Depreciation	1,567,623
TOTAL OPERATING EXPENSES	<u>24,846,709</u>

OPERATING LOSS

(22,769,733)

NONOPERATING REVENUES (EXPENSES)

State apportionments, noncapital	8,762,939
Local property taxes, levied for general purposes	4,145,224
Taxes levied for other specific purposes	1,558,990
Federal grants	2,654,888
State grants	4,536,456
Local grants	1,738,305
Interest expense on capital related debt	(1,690,089)
Investment income on capital asset-related debt, net	93,397
Transfer to fiduciary funds	(176,997)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>21,623,113</u>

INCOME BEFORE OTHER REVENUES AND EXPENSES

(1,146,620)

State revenues, capital	358,573
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CHANGE IN NET POSITION

(788,047)

NET POSITION, BEGINNING OF YEAR

19,321,814

PRIOR PERIOD RESTATEMENT

(986,210)

NET POSITION, END OF YEAR

\$ 17,547,557

The accompanying notes are an integral part of these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 2,114,408
Payments to vendors for supplies and services	(6,876,911)
Payments to or on behalf of employees	(15,041,934)
Payments to students for scholarships and grants	(1,922,281)
Net Cash Flows From Operating Activities	<u>(21,726,718)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	8,762,939
Property taxes - nondebt related	4,145,224
Federal grants and contracts	2,518,366
State grants and contracts	4,864,066
Other nonoperating	698,591
Net Cash Flows From Noncapital Financing Activities	<u>20,989,186</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(8,513,610)
State revenue, capital projects	358,573
Property taxes - related to capital debt	1,558,990
Principal paid on capital debt	(1,440,000)
Interest paid on capital debt	(1,690,089)
Interest received on capital asset-related debt	93,397
Net Cash Flows From Capital Financing Activities	<u>(9,632,739)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(10,370,271)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>22,400,789</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 12,030,518</u></u>

The accompanying notes are an integral part of these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued FOR THE YEARS ENDED JUNE 30, 2017

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

Operating Loss	<u>\$ (22,769,733)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation and amortization expense	1,567,623
Miscellaneous nonoperating income	
On behalf payments	374,982
Changes in Assets and Liabilities:	
Receivables	4,198
Accounts payable, current loans, and accrued liabilities	(1,182,490)
Unearned revenue	35,785
Change in deferred outflows	(303,882)
Change in deferred inflows	(1,155,596)
Pension obligation	1,917,723
OPEB obligation	(215,328)
Total Adjustments	<u>1,043,015</u>
Net Cash Flows From Operating Activities	<u><u>\$ (21,726,718)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 836,852
Local Agency Investment Fund	5,170,143
Cash in county treasury	6,023,523
Total Cash and Cash Equivalents	<u><u>\$ 12,030,518</u></u>

NONCASH TRANSACTIONS

On behalf payments for benefits	\$ 374,982
Board of governors fee waivers	<u><u>\$ 1,026,969</u></u>

The accompanying notes are an integral part of these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Retiree OPEB Trust	Trust	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 177,152	\$ 12,529	\$ 12,254
Investments	557,498	-	-
Due from primary government	-	756	-
Total Assets	<u>734,650</u>	<u>13,285</u>	<u>\$ 12,254</u>
LIABILITIES			
Accounts payable	-	5,082	\$ 356
Due to student groups	-	-	11,898
Total Liabilities	<u>-</u>	<u>5,082</u>	<u>\$ 12,254</u>
NET POSITION			
Restricted	734,650	8,203	
Total Net Position	<u>\$ 734,650</u>	<u>\$ 8,203</u>	

The accompanying notes are an integral part of these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

	Retiree OPEB Trust	Trust
ADDITIONS		
Local revenues	\$ 44,485	\$ 10,208
Total Additions	<u>44,485</u>	<u>10,208</u>
DEDUCTIONS		
Services and operating expenditures	500	11,742
Total Deductions	<u>500</u>	<u>11,742</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	176,997	-
Total Other Financing Sources (Uses)	<u>176,997</u>	<u>-</u>
Change in Net Position	220,982	(1,534)
Net Position - Beginning	513,668	9,737
Net Position - Ending	<u>\$ 734,650</u>	<u>\$ 8,203</u>

The accompanying notes are an integral part of these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT LAKE TAHOE COLLEGE FOUNDATION STATEMENT OF FINANCIAL POSITION JUNE 30, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 320,125
Accounts receivable	8,400
Prepaid expenses	3,788
Total Current Assets	<u>332,313</u>

NONCURRENT ASSETS

Investments	3,062,527
TOTAL ASSETS	<u><u>\$ 3,394,840</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 395,282
Deferred revenue	33,057
Total Current Liabilities	<u>428,339</u>

NET ASSETS

Unrestricted	366,339
Temporarily restricted	2,175,528
Permanently restricted	424,634
Total Net Assets	<u>2,966,501</u>
Total Liabilities and Net Assets	<u><u>\$ 3,394,840</u></u>

The accompanying notes are an integral part of these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
LAKE TAHOE COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES				
Donations	\$ -	\$ 106,225	\$ -	\$ 106,225
Special events, net	129,615	5,000	-	134,615
In-kind contribution	23,240	1,200	-	24,440
Interest and dividends, net	29,044	66,621	-	95,665
Assets released from restrictions	541,200	(541,200)	-	-
Total Revenues	<u>723,099</u>	<u>(362,154)</u>	<u>-</u>	<u>360,945</u>
EXPENSES				
Operating expenses	84,524	-	-	84,524
Program expenses	566,321	-	-	566,321
Fundraising expenses	45,477	-	-	45,477
Total Expenses	<u>696,322</u>	<u>-</u>	<u>-</u>	<u>696,322</u>
CHANGE IN NET ASSETS	26,777	(362,154)	-	(335,377)
NET ASSETS, BEGINNING OF YEAR	339,562	2,537,682	424,634	3,301,878
NET ASSETS, END OF YEAR	<u>\$ 366,339</u>	<u>\$ 2,175,528</u>	<u>\$ 424,634</u>	<u>\$ 2,966,501</u>

The accompanying notes are an integral part of these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
LAKE TAHOE COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (335,377)
Changes in Assets and Liabilities	
Decrease in accounts receivable	(243)
Decrease in prepaid expenses	4,298
Increase in accounts payable	182,177
Increase in deferred revenues	(11,658)
Net Cash Flows From Operating Activities	<u>(160,803)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	<u>312,083</u>
Net Cash Flows From Investing Activities	312,083

NET CHANGE IN CASH AND CASH EQUIVALENTS

151,280

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

168,845

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 320,125

The accompanying notes are an integral part of these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - ORGANIZATION

Lake Tahoe Community College District (the District) was established in 1974 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the general fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college located within El Dorado County, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

- Lake Tahoe College Foundation

The Lake Tahoe College Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The board of the Foundation consists of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District with the inclusion of the statements as a discretely presented component unit. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The Foundation is a not-for-profit organization under Internal Revenue Code (IRC) Section 501(c)(3) that reports its financial results in accordance with Financial Accounting Standards Codifications. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the District's notes to the financial statements.

Complete financial statements for the Foundation can be obtained from the Foundation's Business Office at One College Drive, South Lake Tahoe, CA 96150.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 39. The business-type activities model followed by the District requires the following components of the District's financial statements:

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the statement of cash flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2017, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Accounts Receivable

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

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Debt Issuance Costs, Premiums, and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Capital Assets and Depreciation

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

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 10 years; vehicles and most equipment, 8 years, and technology equipment 3 years.

Accrued Liabilities and Long-Term Obligations

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the current year pension contributions. The district reports deferred outflows of resources for deferred charges on refunding of debt and for pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and earnings on pension plan investments specific to the net pension liability. The District reports deferred inflows of resources for pension related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the entity-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include lease revenue bonds, compensated absences, banked leave, capital lease obligations and OPEB obligations, and early retirement obligations with maturities greater than one year.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. Net Position are classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Net of investment in Capital Assets: consists of Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets – net of related debt.

Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resourced when an expense is incurred for purposed for which both restricted and unrestricted resources are available.

Unrestricted: Net Position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$6,792,237 of restricted net position.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

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

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2017

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

On Behalf Payments

GASB Statement No. 24 requires direct on behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on behalf payments to CalSTRS and CalPERS on behalf of all community colleges in California. The California Department of Education has issued a fiscal advisory instructing districts not to record the revenue and expenditures for the on behalf payments within the funds and accounts of a district. The amount of the on behalf payments made for the District for the year ended June 30, 2017, was \$374,982 for CalSTRS. There were no state contributions to CalPERs for the fiscal year ended June 30, 2017. These amounts are reflected in the District's audited financial statements.

Estimates

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

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Foundation Financial Statement Presentation

The Lake Tahoe College Foundation presents its financial statements in accordance with Statement of Financial Accounting Codifications. Under these reporting requirements, the Foundation is required to report information regarding its financial position and activities according to three classes of Net Assets: Unrestricted Net Assets, Temporarily Restricted Net Assets, and Permanently Restricted Net Assets. As permitted by the codification, the Foundation does not use fund accounting.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Unrestricted Net Assets: Net assets not subject to donor-imposed restrictions.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

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Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues are reported as increases in the unrestricted Net Asset classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are recorded at their fair market value on the date of the donation.

Expenses are reported as decreases in unrestricted Net Assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted Net Assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value in accordance with FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*.

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Codes.

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, No. 43, and No. 50, *Pension Disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has implemented the provisions of this Statement as of June 30, 2017.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

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In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of GASB Statement No. 68 applied to the financial statements of all State and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a State or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of State or local governmental employers and to employees of employers that are not State or local governmental employers; and (3) has no predominant State or local governmental employer (either individually or collectively with other State or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment to GASB Statement No. 14*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) 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 GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 30, 2017. Early implementation is encouraged. The District has implemented this statement.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Summary of Deposits and Investments

Deposits and investments of the Primary Government as of June 30, 2017, consist of the following:

Primary Government

Cash on hand and in banks	\$ 826,927
Cash in revolving	9,925
Investments	<u>11,193,666</u>
Total Deposits and Investments	<u><u>\$ 12,030,518</u></u>

Deposits and investments of the Fiduciary Funds as of June 30, 2017, consist of the following:

Fiduciary Funds

Cash on hand and in banks	\$ 14,459
Investments	<u>744,974</u>
Total Deposits and Investments	<u><u>\$ 759,433</u></u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County pool and LAIF.

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Weighted Average Maturity in Years
Money market master trust	\$ 557,498	Not applicable
County Pool	6,210,999	184 days
State Investment Pool	<u>5,170,143</u>	1 day
Total	<u><u>\$ 11,938,640</u></u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2017.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, approximately \$400,000 of the District's bank balance of \$800,000 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the El Dorado County Treasury Investment Pool and the Local Agency Investment Funds/State Investment Pools are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Money market master trust	\$ 557,498	\$ -	\$ 557,498	\$ -	\$ -
County Pool	6,210,999	-	-	-	6,210,999
State Investment Pool	5,170,143	-	-	-	5,170,143
Total	<u>\$ 11,938,640</u>	<u>\$ -</u>	<u>\$ 557,498</u>	<u>\$ -</u>	<u>\$ 11,381,142</u>

All assets have been valued using a market approach, with quoted market prices.

NOTE 5 - ACCOUNTS RECEIVABLE

Primary Government

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

The accounts receivable are as follows:

	Primary Government
Federal Government	
Categorical aid	\$ 325,576
State Government	
Categorical aid	75,499
Lottery	58,021
Local Sources	
Student receivables	79,070
Other local sources	720,716
Total	<u>\$ 1,258,882</u>

Foundation

The Foundation has received a pledge for \$5.8 million for the University Center building project. \$2,889,000 of this pledge has been recorded and received by June 30, 2017. The remaining amounts are conditional based on the phases of construction. Conditional promises to give are recorded only when the conditions upon which they depend are substantially met and the promises become unconditional. Therefore, the remaining amount of the pledge has not been recorded in these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2017, was as follows:

	Balance Beginning of Year	Adjustments	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated					
Land	\$ 779,241	\$ -	\$ 342,818	\$ -	\$ 1,122,059
Collections	140,000	-	-	-	140,000
Construction in progress	2,165,222	-	8,538,995	1,281,124	9,423,093
Total Capital Assets Not Being Depreciated	<u>3,084,463</u>	<u>-</u>	<u>8,881,813</u>	<u>1,281,124</u>	<u>10,685,152</u>
Capital Assets Being Depreciated					
Land improvements	1,224,054	-	149,652	-	1,373,706
Building improvements	2,157,091	-	742,559	-	2,899,650
Buildings	37,545,688	-	38,780	-	37,584,468
Equipment	4,041,832	-	203,126	-	4,244,958
Total Capital Assets Being Depreciated	<u>44,968,665</u>	<u>-</u>	<u>1,134,117</u>	<u>-</u>	<u>46,102,782</u>
Total Capital Assets	<u>48,053,128</u>	<u>-</u>	<u>10,015,930</u>	<u>1,281,124</u>	<u>56,787,934</u>
Less Accumulated Depreciation					
Land improvements	1,149,228	-	17,605	-	1,166,833
Building improvements	493,711	-	226,138	-	719,849
Buildings	14,215,126	-	686,622	-	14,901,748
Equipment	2,422,216	-	637,258	-	3,059,474
Total Accumulated Depreciation	<u>18,280,281</u>	<u>-</u>	<u>1,567,623</u>	<u>-</u>	<u>19,847,904</u>
Net Capital Assets	<u>\$ 29,772,847</u>	<u>\$ -</u>	<u>\$ 8,448,307</u>	<u>\$ 1,281,124</u>	<u>\$ 36,940,030</u>

Depreciation expense for the year was \$1,567,623.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government
Pell disbursements	\$ 4,944
Construction	14,567
Other	255,729
Total	<u>\$ 275,240</u>

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 8 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	<u>Primary Government</u>
Federal financial assistance	\$ 1,105
State categorical aid	1,108,304
Enrollment fees	209,104
Other local	133,776
Total	<u>\$ 1,452,289</u>

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2017, the amount owed between the primary government and the fiduciary funds was \$756.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2017 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to \$176,997.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2017 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions Defeased	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 19,000,000	\$ -	\$ 1,440,000	\$ 17,560,000	\$ 840,000
Premiums	635,628	-	21,918	613,710	21,918
Total Bonds and Notes Payable	19,635,628	-	1,461,918	18,173,710	861,918
Other Liabilities					
Compensated absences	343,189	37,322	-	380,511	-
Capital leases	4,119	42,310	2,388	44,041	10,620
Early retirement incentive	197,958	-	197,958	-	-
Banked faculty load	34,071	6,331	-	40,402	-
Aggregate net pension liability	10,948,832	1,917,723	-	12,866,555	-
Other post employment benefits (restated)	982,648	165,068	176,997	970,719	-
Total Other Liabilities	12,510,817	2,168,754	377,343	14,302,228	10,620
Total Long-Term Debt	<u>\$ 32,146,445</u>	<u>\$ 2,168,754</u>	<u>\$ 1,839,261</u>	<u>\$ 32,475,938</u>	<u>\$ 872,538</u>

Description of Debt

Payments on the lease revenue bonds are paid by the Debt Service Fund. The capital leases are paid by the general fund. The compensated absences, banked faculty load, other post employment benefits, early retirement incentives, and pension liabilities will be paid by the fund for which the employee worked.

The 2014 Series A general obligation bonds lease revenue bonds were issued on August 5, 2016 in the amount of \$19,000,000 to finance the capital outlay projects. At June 30, 2017, \$17,560,000 of the bonds were outstanding. The general obligations bonds mature through August 2045. Interest rates range from 2.00- 5.00 percent.

The District has utilized capital leases agreements to purchase equipment. The current lease purchase agreements in the amount will be paid through June 2022.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Debt Maturity

General Obligation Bonds

Fiscal Year	Principal	Interest to Maturity	Total
2018	\$ 840,000	\$ 714,463	\$ 1,554,463
2019	915,000	688,138	1,603,138
2020	100,000	672,913	772,913
2021	100,000	669,913	769,913
2022	105,000	666,313	771,313
2023-2027	705,000	3,259,163	3,964,163
2028-2032	1,555,000	3,059,631	4,614,631
2033-2037	2,910,000	2,538,500	5,448,500
2038-2042	4,790,000	1,660,200	6,450,200
2043-2046	5,540,000	464,200	6,004,200
Total	<u>\$ 17,560,000</u>	<u>\$ 14,393,434</u>	<u>\$ 31,953,434</u>

Capital Leases

The District has entered into various capital lease arrangements for equipment:

	Copiers
Balance, July 1, 2016	\$ 4,119
Additions	42,310
Payments	2,388
Balance, June 30, 2017	<u>\$ 44,041</u>

The District's liability on lease agreements with option to purchase is summarized below:

Year Ending June 30,	Lease Payment
2018	\$ 11,026
2019	11,026
2020	10,003
2021	9,662
2022	8,050
Total	<u>49,767</u>
Less: Amount Representing Interest	5,726
Present Value of Minimum Lease Payments	<u>\$ 44,041</u>

Compensated Absences

At June 30, 2017, the liability for compensated absences was \$380,511.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Banked Faculty Load

The District calculated the total long term portion of banked faculty load as of June 30, 2017 at \$40,402. The unfunded faculty banked leave is included in the entity-wide statements.

Other Postemployment Benefits Obligation

The District's actuarial determine expense for the year ended June 30, 2017, was \$165,068, and contributions made by the District during the year were \$176,975, which resulted in a decrease of \$11,529 to the net OPEB liability. As of June 30, 2017, the net OPEB liability was \$970,719. See Note 11 for additional information regarding the OPEB liability and the postemployment benefits plan.

Aggregate Net Pension Liability

The District's proportionate share of the net pension liability related to STRS and PERS plans for the year ended June 30, 2017 was \$12,866,555. See Note 14 for additional information.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description

Plan Administration: The District Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District.

Plan membership: At June 30, 2017, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	14
Active plan members	93
	<hr/>
	107
	<hr/>

Benefits provided: The Plan provides medical insurance benefits to eligible retirees and their spouses and eligible dependents for five years beyond retirement or until Medicare age is obtained, whichever is sooner. Employees who have been in continuous full time employment of the District for a minimum of ten years immediately prior to retirement and who have reached age 55 or older upon retirement are eligible.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. The District established an irrevocable trust to partially fund the plan. The District contributed \$176,997 to the Plan, and \$215,328 was paid for current premiums (pay as you go amount). Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution 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 Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Investments

Investment policy: The Plan’s policy in regard to the allocation of invested assets is established and may be amended by LAKE TAHOE COMMUNITY COLLEGE Lake Tahoe Community College District Retirement Board of Authority by a majority vote of its members. It is the policy of the Retirement Board of Authority to pursue investment strategies that reduce risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the board’s adopted asset allocation policy as of June 30, 2017.

<u>Asset Class</u>	<u>Target Allocation</u>
US Large Cap	60%
US Small Cap	15%
Long term Corporate Bonds	20%
Short Term Government Fixed	5%
Total	<u>100%</u>

Rate of return: For the year ended June 30, 2017, the annual money weighted rate of return on investments, net of investment expense was 5.97 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Total Net OPEB Liability of the District

The components of the total net OPEB liability of the District as of June 30, 2017, were as follows:

Total OPEB liability	\$ 1,705,370
Plan fiduciary net position	734,651
District's net OPEB liability	<u>\$ 970,719</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>43%</u>

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods including in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	6.0 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.0 percent

Mortality rates were based on the 2009 CalSTRS Mortality tables for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees tables for classified employees.

The actuarial assumptions used in the June 2017 valuation were based on the results of an actuarial experience study as of July 2017.

The long term expected rate of return on OPEB plan investments was determined using a building block method, in which best estimate ranges of expected furniture real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap	7.8%
US Small Cap	7.8%
Long term Corporate Bonds	5.3%
Short Term Government Fixed	3.3%

Discount rate: The discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contributions rates. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discounts and healthcare cost trend rates: The OPEB liability is based on the actuary report that relies on estimates and assumptions that affect the amounts reported. Particularly, changes in the discount and healthcare cost rates used can have a significant impact on the resulting actuarially determined OPEB liability. Actual results may differ from those estimates and assumptions.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 12 - LEASE REVENUES

The District owns land leased to the U.S. Forest Service on a long term 50 year lease. The agreement contains a termination clause providing for cancellation after a specified number of days written notice by the lesser or lessee, but is not anticipated that the lease will be canceled prior to its expiration date. The land was originally purchased for \$779,241 and a portion of that land is leased to the U.S. Forest Service and on which the U.S. Forest Service has built an office building. The future minimum lease payments expected to be received under this agreement is as follows:

Year Ending June 30,	Lease Revenue
2018	\$ 85,653
2019	86,938
2020	88,242
2021	89,565
2022	90,909
Thereafter	3,463,782
Total	<u>\$ 3,905,089</u>

NOTE 13 - RISK MANAGEMENT

Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2017, the District contracted with the Statewide Association of Community Colleges Joint Powers Authority for property and liability insurance and with Protected Insurance Program for Schools and Community Colleges for workers compensation coverage. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Insurance Program / Company Name	Type of Coverage	Limits
Protected Insurance Program for Schools & Community Colleges	Workers' Compensation	\$ 1,000,000
Statewide Associaton of Community Colleges	Property and Liability	\$ 250,000,000

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Employee Medical Benefits

The District has contracted with Tri-County School Insurance Group Joint Powers Agency to provide employee medical benefits. Rates are set through an annual calculation process.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

For the fiscal year ended June 30, 2017, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 6,816,412	\$ 1,137,088	\$ 1,184,941	\$ 466,776
CalPERS	6,050,143	2,380,533	181,771	1,082,363
Total	\$ 12,866,555	\$ 3,517,621	\$ 1,366,712	\$ 1,549,139

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The STRP is 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 District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans. The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.21%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above, and the District's total contributions were \$538,502.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 6,816,412
State's proportionate share of net pension liability associated with the District	3,880,462
Total	<u><u>\$ 10,696,874</u></u>

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2016 and June 30, 2015 was 0.0084 percent and 0.0097 percent, respectively, resulting in a net decrease in the proportionate share of 0.0013 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$466,776. In addition, the District recognized pension expense and revenue of \$374,982 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 538,502	\$ -
Net change in proportionate share of net pension	-	961,978
Deferred outflows (inflows) of resources related to pensions	598,586	-
Differences between expected and actual experience in the measurement of the total pension liability	-	222,963
Total	<u>\$ 1,137,088</u>	<u>\$ 1,184,941</u>

The 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 subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 25,993
2019	25,994
2020	329,180
2021	217,419
Total	<u>\$ 598,586</u>

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (204,650)
2019	(204,650)
2020	(204,650)
2021	(204,650)
2022	(204,648)
Thereafter	(161,693)
Total	<u>\$ (1,184,941)</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

The 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. Based on the model for CalSTRS consulting actuary’s investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on the Teachers’ Retirement Board of the California State Teachers’ Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute return	9%	2.90%
Inflation sensitive	4%	3.80%

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 the contributions from plan members and employers will be made at statutory contribution rates. 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 occurred midyear. Based on these 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 9,810,354
Current discount rate (7.60%)	\$ 6,816,412
1% increase (8.60%)	\$ 4,329,818

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

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California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2015. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

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 service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	13.889%	13.889%

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

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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 July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above, and the total District contributions were \$557,038.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$6,050,143. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2016 and June 30, 2015 was 0.0306 percent and 0.0298 percent, respectively, resulting in a net increase in the proportionate share of 0.0008 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$1,082,363. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 557,038	\$ -
Net change in proportionate share of net pension liability	624,493	-
Deferred outflows (inflows) of resources related to pensions	938,788	-
Differences between expected and actual experience in the measurement of the total pension liability	260,214	-
Changes of assumptions	-	181,771
Total	<u>\$ 2,380,533</u>	<u>\$ 181,771</u>

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The deferred outflow 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 subsequent year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ 131,677
2018	131,677
2019	430,418
2020	245,016
Total	<u>\$ 938,788</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the EARSL of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2015-2016 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ 354,895
2018	327,497
2019	74,625
Total	<u>\$ 757,017</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

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Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten 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. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 9,026,847
Current discount rate (7.65%)	\$ 6,050,143
1% increase (8.65%)	\$ 3,571,451

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Tax Deferred Annuity

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the APPLE as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2017, 2016, and 2015, which amounted to \$374,982, \$299,281, and \$248,996, respectively, (8.28 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act CalPERS. No contributions were made for CalPERS for the years ended June 30, 2017, 2016, and 2015. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Statewide Association of Community Colleges, the Tri-County School Insurance Group Joint Powers Authority, Protected Insurance Program for Schools and Community Colleges, and the South Bay Regional Public Safety JPAs. The District pays annual premiums for its property liability, health, and workers' compensation coverage and for providing public safety training. The relationship between the District and the JPAs is such that they are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated. During the year ended June 30, 2017, the District made payments of \$93,543 to the Statewide Association of Community Colleges, \$2,035,433 to the Tri-County School Insurance Group, \$187,850 to Protected Insurance Program for Schools and Community Colleges, and \$780,276 to South Bay Regional Public Safety.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Accreditation

The District maintains its accreditation by fulfilling criteria that is determined by the Accrediting Commission of Community and Junior Colleges (ACCJC). Throughout its continuous six-year review cycle, the College conducts and publishes several review instruments, including an annual report, annual fiscal report, midterm report, comprehensive institutional self-study, and an evaluation review by a team of peers. The District underwent a comprehensive review and site visit through ACCJC in October 2017. The formal report is anticipated in February 2018.

Financial Condition

The District was in the second year of a three-year stability funding phase from the State Chancellor's Office. The District applied for and was granted an attendance allowance for FY16-17 due to the emergency conditions at the beginning of the Winter Quarter. As a result, the district received an additional 84.74 credit and 3.83 non-credit FTES adjustment. This adjustment allowed the district to end the year at 1,739 FTES, which was 22 FTES below the target and full restoration FTES of 1,761. The district's ability to restore to that level of funding will end with the 2018/19 fiscal year, and corresponding operating costs will need to be reduced to ensure the ongoing financial stability of the District.

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects.

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Replace Exterior Lighting with LEDs (Phase 4)	\$ 2,581	10/10/2017
Soccer Field Renovation	99,094	11/15/2017
HVAC Phase 2 - South Mechanical Building	145,207	12/31/2017
University Center	231,257	9/30/2018
Student Commons Enhancement	403,194	10/31/2017
Art Lab Air Quality Improvements	8,071	10/31/2018
Gymnasium Renovation	27,126	10/31/2017
Main Parking Lot/ADA Improvements	373,714	12/31/2017
University Center Site Work	31,236	10/31/2018
Landscape Improvements	18,800	6/30/2018
Total	<u>\$ 1,340,280</u>	

NOTE 17 - RESTATEMENT

The District adopted GASB Statement No. 74, Financial Reporting for Postemployment Benefits Plans Other than Pension Plans and *GASB Statement No 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The implementation of these standards required a change in accounting principles to restate the beginning Net Position on the Statement of Revenues, Expenditures and Statement of Net Position by \$986,210.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE TAHOE COMMUNITY COLLEGE

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 111,034
Interest	97,908
Benefit payments	<u>(162,777)</u>
Net changes in total OPEB liability	46,165
Total OPEB Liability - beginning	<u>1,659,205</u>
Total OPEB Liability - ending (a)	1,705,370
Plan fiduciary net position	
Contributions - employer	354,149
Net investment income	44,374
Administrative expense	<u>(500)</u>
Net change in plan fiduciary net position	398,023
Plan fiduciary net position - beginning	<u>336,628</u>
Plan fiduciary net position - ending (b)	<u>734,651</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 970,719</u>
Plan fiduciary net position as a percentage of the total OPEB liability	43.08%
Covered-employee payroll	6,734,675
District's net OPEB liability as a percentage of covered-employee payroll	<u>14%</u>

Note: In the future, as data become available, ten years of information will be presented.

LAKE TAHOE COMMUNITY COLLEGE

**SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>
Actuarially determined contribution	\$ 393,325
Contributions in relations to the actuarially determined contribution	(393,325)
Contribution deficiency (excess)	<u>-</u>
Covered-employee payroll	<u>6,734,675</u>
Contribution as a percentage of covered-employee payroll	-5.84%

Note: In the future, as data become available, ten years of information will be presented.

LAKE TAHOE COMMUNITY COLLEGE

**SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2017**

Annual moneyweighted rate of return, net of investment expense	<u>2017</u> 5.9700%
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Note: In the future, as data become available, ten years of information will be presented.

LAKE TAHOE COMMUNITY COLLEGE

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Method Used (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
January 1, 2013	\$ -	\$ 1,500,188	\$ 1,500,188	0%	\$ 6,174,828	24%
March 1, 2015	184,238	1,455,404	1,271,166	13%	5,477,550	23%
June 30, 2017	734,650	1,705,370	970,720	43%	6,734,675	14%

LAKE TAHOE COMMUNITY COLLEGE

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017**

CalSTRS	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	<u>0.0084%</u>	<u>0.0097%</u>	<u>0.0100%</u>
District's proportionate share of the net pension liability	\$ 6,816,412	\$ 6,551,557	\$ 5,839,258
State's proportionate share of the net pension liability associated with the District	<u>3,880,462</u>	<u>3,465,051</u>	<u>3,525,996</u>
Total	<u>\$ 10,696,874</u>	<u>\$ 10,016,608</u>	<u>\$ 9,365,254</u>
District's covered - employee payroll	<u>\$ 4,183,057</u>	<u>\$ 4,073,148</u>	<u>\$ 4,199,918</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>162.95%</u>	<u>160.85%</u>	<u>139.03%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
 CalPERS			
District's proportion of the net pension liability	<u>0.0306%</u>	<u>0.0298%</u>	<u>0.0303%</u>
District's proportionate share of the net pension liability	<u>\$ 6,050,143</u>	<u>\$ 4,397,275</u>	<u>\$ 3,443,400</u>
District's covered - employee payroll	<u>3,660,685</u>	<u>3,265,298</u>	<u>3,183,160</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>165%</u>	<u>135%</u>	<u>108%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>

See accompanying note to required supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017**

CalSTRS	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 538,502	\$ 422,035	\$ 367,178
Contributions in relation to the contractually required contribution	<u>(538,502)</u>	<u>(422,035)</u>	<u>(367,178)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered - employee payroll	 <u>\$ 4,082,194</u>	 <u>\$ 4,183,057</u>	 <u>\$ 4,073,148</u>
 Contributions as a percentage of covered - employee payroll	 <u>13.19%</u>	 <u>10.09%</u>	 <u>9.01%</u>
 CalPERS			
Contractually required contribution	\$ 557,038	\$ 426,730	\$ 364,323
Contributions in relation to the contractually required contribution	<u>(557,038)</u>	<u>(426,730)</u>	<u>(364,323)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered - employee payroll	 <u>\$ 4,129,676</u>	 <u>\$ 3,660,685</u>	 <u>\$ 3,265,298</u>
 Contributions as a percentage of covered - employee payroll	 <u>13.5%</u>	 <u>11.7%</u>	 <u>11.2%</u>

Note : In the future, as data become available, ten years of information will be presented.

LAKE TAHOE COMMUNITY COLLEGE

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented. There were no changes in benefit terms or assumptions in the current year.

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Valuation Date: Actuarially determined contribution rates are calculated as of July 1, 2015, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset Valuation method	Because plan assets are primarily short term, no smoothing formula was used.
Inflation	2.75 percent
Health care cost trend rates	4.0 percent
Salary increases	2.75 percent
Investment rate of return	6.0 percent
Retirement age	Certificated: 2009 CalSTRS Retirement Plan Classified, hired before January 1, 2013: 2009 CalPERS Retirement Rates for School Employees Classified, hired after December 31, 2012: 2009 CalPERS 2 percent at 60 Retirement Rates for Miscellaneous Employees adjusted to reflect minimum retirement age of 52
Mortality	Certificated: 2009 CalSTRS Mortality Classified: 2014 CalPERS Mortality for Miscellaneous Employees

LAKE TAHOE COMMUNITY COLLEGE

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

Schedule of OPEB Investment Returns

This schedule presents information on the annual money weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Change in Benefit Terms – There were no changes in the benefit terms since the previous valuations for both CalSTRS and CalPERS.

Change in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

LAKE TAHOE COMMUNITY COLLEGE

DISTRICT ORGANIZATION

JUNE 30, 2017

Lake Tahoe Community College District was established by the voters on March 5, 1974, opened its doors on September 18, 1975; and serves an area of approximately 196 square miles located in El Dorado County. There were no changes in the boundaries of the District during the current year. The District's college is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. Karen Borges	President	December 2020
Kerry David	Clerk	December 2018
Jeff Cowen	Trustee	December 2018
Nancy Dalton	Trustee	December 2020
Michelle Sweeney	Trustee	December 2018
Morgan Montoya	Student Trustee	June 2018

ADMINISTRATION

Jeff DeFranco	President/Superintendent
Mark Zacovic	Interim Vice President, Administrative Services
Michelle Risdon, Ph. D.	Vice President of Instruction
Michelle Sower	Dean of Instruction
Brad Deeds	Dean of Career Technical Education and Instruction
Sue Gochis	Executive Dean of Student Services

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Expenditures
U.S. DEPARTMENT OF EDUCATION			
STUDENT FINANCIAL AID CLUSTER			
Federal Pell Grant Program (PELL)	84.063	[1]	\$ 1,639,427
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	[1]	37,687
Federal Work-Study Program (FWS)	84.033	[1]	<u>34,482</u>
Total Student Financial Aid Program Cluster			<u>1,711,596</u>
PASS THROUGH FUNDS			
CAREER TECHNICAL EDUCATION			
Career Technical Education Act - Basic Grants to States	84.048	03303	84,647
Career Technical Education Act - Transitions	84.048A	[2]	<u>43,425</u>
Total Career Technical Education Program			<u>128,072</u>
TRIO CLUSTER			
TRIO Talent Search	84.044	[2]	245,473
TRIO Upward Bound	84.047	[2]	<u>255,491</u>
Total TRIO Program Cluster			<u>500,964</u>
Title III - Higher Education Institutional Aid	84.031	[2]	<u>78,917</u>
Total U.S. Department of Education			<u>2,419,549</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
AmeriCorps State and National	94.006	[1]	<u>17,443</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
PASS THROUGH FUNDS			
477 Cluster			
Child Development Training Consortium	93.575	[2]	2,775
Temporary Assistance for Needy Families (TANF)	93.558	[2]	<u>27,593</u>
Total 477 Cluster			<u>30,368</u>
Total U.S. Department of Health and Human Services			<u>30,368</u>
U.S. DEPARTMENT OF VETERAN'S AFFAIRS			
Vocational and Educational Counseling for Service Members and Veterans	64.125	[1]	<u>4,880</u>
U.S. DEPARTMENT OF AGRICULTURE			
PASS THROUGH FUNDS			
Child and Adult Care Food Program	10.558	03628	<u>15,329</u>
Total Expenditures of Federal Awards			<u>\$ 2,487,569</u>

[1] Pass-Through Entity Identifying Number not applicable, direct funded

[2] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Program	Program Entitlements			Program Revenues				Program Expenditures
	Current Year	Prior Year /Adjustments	Total Entitlement	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
GENERAL FUND								
AB 86 Adult Education	\$ 875,636	\$ 473,044	\$ 1,348,680	\$ 1,348,680	\$ -	\$ 416,438	\$ 932,242	\$ 932,342
Basic Skills	90,000	31,083	121,083	121,083	-	34,841	86,242	86,242
BFAP Administration	126,193	-	126,193	126,193	-	-	126,193	126,193
CalGrant B & C	87,990	-	87,990	87,990	-	-	87,990	87,990
California State Pre-school Program	51,268	-	51,268	20,613	(3,673)	-	16,940	16,940
Calworks	74,866	-	74,866	74,866	-	3,849	71,017	71,017
Child Development Training	3,350	204	3,554	3,554	-	229	3,325	3,325
Cooperative Agencies Resources for Education	32,356	-	32,356	32,356	-	274	32,082	32,082
Commercial Sexual Exploitation of Children	6,750	-	6,750	4,050	2,700	-	6,750	6,750
Disabled Student Programs & Services	202,180	1,315	203,495	203,495	-	6,638	196,857	196,857
DOE State Block Grant - CCTR	75,208	-	75,208	35,711	15,389	-	51,100	51,100
Enrollment Fee Waiver Admin	22,649	-	22,649	22,649	-	-	22,649	22,649
Equal Employment Opportunity	60,000	322	60,322	60,322	-	-	60,322	60,322
Extended Opportunity Programs & Services	185,150	-	185,150	185,150	-	3,534	181,616	181,616
Full Time Student Success Grant	29,851	3,902	33,753	32,651	-	7,451	25,200	25,200
Foster and Kinship Care	119,884	-	119,884	62,320	57,564	-	119,884	119,884
High 5 for Quality Grant	1,750	-	1,750	1,750	-	89	1,661	1,661
International Grant	1,000	543	1,543	1,543	-	1,000	543	543
Institutional Effectiveness Planning Initiative	50,000	-	50,000	200,000	-	97,456	102,544	102,544
Instructional Equipment Materials Grant	42,001	53,431	95,432	89,412	-	42,130	47,282	47,282
IR Data Grant	50,000	-	50,000	50,000	-	40,640	9,360	9,360
Lottery (restricted)	79,794	87,787	167,581	131,552	36,029	57,796	109,785	109,785
Lottery (unrestricted)	248,516	43,613	292,129	270,137	21,992	-	292,129	292,129
North Region	19,965	-	19,965	19,965	-	2,853	17,112	17,112
Part-Time Faculty Compensation	85,254	-	85,254	85,254	-	-	85,254	85,254
Part-Time Faculty Office Hours	2,057	-	2,057	2,057	-	-	2,057	2,057
Prop 39 Energy Efficiency	66,744	22,374	89,118	89,118	-	-	89,118	89,118
SB 1070 (Senate Bill) Career Technical Education Pathways Program	-	13,276	13,276	13,276	-	-	13,276	13,276
Open Education Resources	45,000	-	45,000	45,000	-	25,697	19,303	19,303
Scheduled Maintenance	210,000	59,455	269,455	269,455	-	-	269,455	269,455
Strong Workforce	329,239	-	329,239	168,188	-	124,294	43,894	43,894
Student Equity	250,000	40,721	290,721	290,721	-	8,779	281,942	281,942
Student Equity Supplemental	-	126,198	126,198	126,198	-	-	126,198	126,198
Student Success and Support Program	691,017	258,095	949,112	949,112	-	234,316	714,796	714,796
Zero Textbook Cost Degree	35,000	-	35,000	14,000	3,519	-	17,519	17,519
Subtotal	<u>\$ 4,250,668</u>	<u>\$ 1,215,363</u>	<u>\$ 5,466,031</u>	<u>\$ 5,238,421</u>	<u>\$ 133,520</u>	<u>\$ 1,108,304</u>	<u>\$ 4,263,637</u>	<u>\$ 4,263,737</u>

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
APPORTIONMENT
FOR THE YEAR ENDED JUNE 30, 2017**

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2016 only)			
1. Noncredit**	1.38	-	1.38
2. Credit	139.58	-	139.58
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit**	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	481.08	-	481.08
(b) Daily Census Contact Hours	31.13	-	31.13
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	63.84	-	63.84
(b) Credit	467.74	(0.25)	467.49
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	269.30	-	269.30
(b) Daily Census Contact Hours	178.07	-	178.07
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>1,632.12</u>	<u>(0.25)</u>	<u>1,631.87</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	45.41	-	45.41
2. Credit	22.95	-	22.95
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	14.09	-	14.09

** Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2017**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			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	\$ 1,890,824	\$ -	\$ 1,890,824	\$ 1,890,825	\$ -	\$ 1,890,825
Other	1300	1,659,981	-	1,659,981	1,671,731	-	1,671,731
Total Instructional Salaries		3,550,805	-	3,550,805	3,562,556	-	3,562,556
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	492,106	-	492,106
Other	1400	-	-	-	164,685	-	164,685
Total Noninstructional Salaries		-	-	-	656,791	-	656,791
Total Academic Salaries		3,550,805	-	3,550,805	4,219,347	-	4,219,347
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	1,833,093	-	1,833,093
Other	2300	-	-	-	342,266	-	342,266
Total Noninstructional Salaries		-	-	-	2,175,359	-	2,175,359
Instructional Aides							
Regular Status	2200	111,343	-	111,343	111,343	-	111,343
Other	2400	159,446	-	159,446	159,446	-	159,446
Total Instructional Aides		270,789	-	270,789	270,789	-	270,789
Total Classified Salaries		270,789	-	270,789	2,446,148	-	2,446,148
Employee Benefits	3000	1,376,204	-	1,376,204	2,626,133	-	2,626,133
Supplies and Material	4000	-	-	-	172,031	-	172,031
Other Operating Expenses	5000	740,162	-	740,162	2,735,970	-	2,735,970
Equipment Replacement	6420	-	-	-	785	-	785
Total Expenditures Prior to Exclusions		5,937,960	-	5,937,960	12,200,414	-	12,200,414

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2017**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	13,363	-	13,363
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	53,388	-	53,388
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2017**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 292,129	\$ -	\$ 292,129
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6400	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	358,880	-	358,880
Total for ECS 84362, 50 Percent Law		\$ 5,937,960	\$ -	\$ 5,937,960	\$ 11,841,534	\$ -	\$ 11,841,534
Percent of CEE (Instructional Salary Cost/Total CEE)		50.15%		50.15%	100.00%		100.00%
50% of Current Expense of Education					\$ 5,920,767		\$ 5,920,767

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 1,898,262
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 1,898,262			\$ 1,898,262
Total Expenditures for EPA		\$ 1,898,262	-	-	\$ 1,898,262
Revenues Less Expenditures					\$ -

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no adjustments requiring fund balance reconciliations between the Annual Financial and Budget Report and the audited financial statements.

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 2,654,888
Federal Pell Grant Program (PELL)	84.063	(2,710)
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	(1,884)
Federal Work-Study Program (FWS)	84.033	(1,724)
Forest Reserve Program	10.665	(23,649)
Vocational and Educational Counseling for Services to Members and Veterans Program	64.125	(102)
TRIO Talent Search Program	84.044	(72,044)
TRIO Upward Bound Program	84.047	(65,206)
Total Expenditures of Federal Awards		<u>\$ 2,487,569</u>

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment

(FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

LAKE TAHOE COMMUNITY COLLEGE

NOTES TO SUPPLEMENTARY INFORMATION

JUNE 30, 2017

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Proposition 30 Education Protection Act (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

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

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

***ADDITIONAL SUPPLEMENTAL
INFORMATION***

LAKE TAHOE COMMUNITY COLLEGE

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	General Unrestricted	General Restricted	Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Student Financial Aid	Total Governmental Fund (Memorandum Only)
ASSETS								
Cash and cash equivalents	\$ 2,894,710	\$ 1,112,444	\$ 9,361	\$ 1,255,012	\$ 156,229	\$ 5,986,478	\$ 10,196	\$ 11,424,430
Accounts receivable	169,095	514,300	16,511	-	377,605	11,621	25,813	1,114,945
Due from other funds	125,784	56,988	5,000	-	203,534	-	22,801	414,107
Prepaid expenses	27,444	4,748	-	-	-	-	-	32,192
Total Assets	\$ 3,217,033	\$ 1,688,480	\$ 30,872	\$ 1,255,012	\$ 737,368	\$ 5,998,099	\$ 58,810	\$ 12,985,674
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 156,002	\$ 89,108	\$ 5,593	\$ -	\$ 647	\$ 14,567	\$ 4,944	\$ 270,861
Accrued payroll and related liabilities	389,827	81,457	12,713	-	-	-	40,195	524,192
Due to other funds	89,213	99,168	-	-	48,194	138,701	-	375,276
Other current liabilities	-	-	-	-	-	-	7,451	7,451
Unearned revenue	209,104	1,196,949	89	-	-	-	-	1,406,142
Total Liabilities	844,146	1,466,682	18,395	-	48,841	153,268	52,590	2,583,922
FUND BALANCES								
Nonspendable	27,444	-	-	-	-	-	-	27,444
Restricted	-	221,798	12,477	1,255,012	-	5,844,831	-	7,334,118
Committed	1,563,713	-	-	-	-	-	-	1,563,713
Assigned	350,000	-	-	-	688,527	-	-	1,038,527
Unassigned	431,730	-	-	-	-	-	6,220	437,950
Total Fund Balances	2,372,887	221,798	12,477	1,255,012	688,527	5,844,831	6,220	10,401,752
Total Liabilities and Fund Balances	\$ 3,217,033	\$ 1,688,480	\$ 30,872	\$ 1,255,012	\$ 737,368	\$ 5,998,099	\$ 58,810	\$ 12,985,674

LAKE TAHOE COMMUNITY COLLEGE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	General Unrestricted	General Restricted	Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Student Financial Aid	Total Governmental Fund (Memorandum Only)
REVENUES								
Federal revenues	\$ 30,069	\$ 907,278	\$ 15,329	\$ -	\$ -	\$ -	\$ 1,702,212	\$ 2,654,888
State revenues	9,799,747	3,301,757	69,701	-	358,573	-	128,190	13,657,968
Local revenues	5,779,705	19,235	387,175	1,569,743	811,454	78,605	5,068	8,650,985
Total Revenues	15,609,521	4,228,270	472,205	1,569,743	1,170,027	78,605	1,835,470	24,963,841
EXPENDITURES								
Current Expenditures								
Academic salaries	4,654,779	971,807	-	-	-	-	-	5,626,586
Classified salaries	3,245,369	954,102	351,166	-	615	188,920	-	4,740,172
Employee benefits	3,097,267	687,075	104,016	-	31	66,362	-	3,954,751
Books and supplies	258,396	315,941	23,746	-	-	2,892	-	600,975
Services and operating expenditures	3,222,251	938,327	34,208	350	17,371	437,195	-	4,649,702
Student financial aid	3,465	84,531	-	-	-	-	1,834,285	1,922,281
Capital outlay	214,465	178,959	174	-	1,103,030	7,265,915	-	8,762,543
Debt service - principal	-	-	-	2,598,798	-	-	-	2,598,798
Debt service - interest and other	-	-	-	741,463	-	-	-	741,463
Total Expenditures	14,695,992	4,130,742	513,310	3,340,611	1,121,047	7,961,284	1,834,285	33,597,271
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	913,529	97,528	(41,105)	(1,770,868)	48,980	(7,882,679)	1,185	(8,633,430)
OTHER FINANCING SOURCES (USES)								
Operating transfers in	27,605	-	30,000	-	196,119	-	-	253,724
Operating transfers out	(983,444)	-	-	-	(100,000)	-	-	(1,083,444)
Other sources	42,310	-	-	-	-	-	-	42,310
Total Other Financing Sources (Uses)	(913,529)	-	30,000	-	96,119	-	-	(787,410)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	97,528	(11,105)	(1,770,868)	145,099	(7,882,679)	1,185	(9,420,840)
FUND BALANCES, BEGINNING OF YEAR	2,372,887	124,270	23,582	3,025,880	543,428	13,727,510	5,035	19,822,592
FUND BALANCES, END OF YEAR	\$ 2,372,887	\$ 221,798	\$ 12,477	\$ 1,255,012	\$ 688,527	\$ 5,844,831	\$ 6,220	\$ 10,401,752

LAKE TAHOE COMMUNITY COLLEGE

**BALANCE SHEET- PROPRIETARY FUNDS
JUNE 30, 2017**

	<u>Internal Service Funds</u>
ASSETS	
Cash and cash equivalents	\$ 594,067
Accounts receivable	134,481
Total Assets	<u>728,548</u>
 LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts payable	3,466
Total Liabilities	<u>3,466</u>
 FUND EQUITY	
Retained earnings	<u>725,082</u>
Total Liabilities and Fund Equity	<u>\$ 728,548</u>

LAKE TAHOE COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES AND RETAINED EARNINGS - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2017

	Internal Service Funds
	<u> </u>
OPERATING REVENUES	
Sales revenues	\$ <u> -</u>
OPERATING EXPENSES	
Classified salaries	12,997
Employee benefits	224,576
Services and other operating expenditures	777,372
Total Operating Expenses	<u>1,014,945</u>
Operating Income (Loss)	<u>(1,014,945)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,047
Insurance reimbursements	679,240
Operating transfers in	665,328
Total Nonoperating Revenues (Expenses)	<u>1,345,615</u>
NET INCOME (LOSS)	330,670
RETAINED EARNINGS, BEGINNING OF YEAR	394,412
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 725,082</u></u>

LAKE TAHOE COMMUNITY COLLEGE

**CASH FLOW STATEMENT - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash payments to employees for services	\$ (237,573)
Cash payments to suppliers for goods and services	(975,258)
Net Cash Provided (Used) for Operating Activities	<u>(1,212,831)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from assessments made to other funds	<u>1,211,134</u>
Net Cash Provided (Used) from Noncapital Financing Activities	<u>1,211,134</u>
Net decrease in cash and cash equivalents	(1,697)
Cash and cash equivalents - Beginning	595,764
Cash and cash equivalents - Ending	<u>\$ 594,067</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (1,014,945)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Accrued liabilities	(197,886)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (1,212,831)</u>

LAKE TAHOE COMMUNITY COLLEGE

BALANCE SHEET – FIDUCIARY FUNDS

JUNE 30, 2017

	Associated Students Trust	Student Representation Fee	Scholarship and Loan	Post Employment Benefits Trust	Total
ASSETS					
Cash and cash equivalents	\$ 12,254	\$ 10,324	\$ 2,205	\$ 177,152	\$ 201,935
Investments	-	-	-	557,498	557,498
Due from other funds	-	756	-	-	756
Total Assets	<u>\$ 12,254</u>	<u>\$ 11,080</u>	<u>\$ 2,205</u>	<u>\$ 734,650</u>	<u>\$ 760,189</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 356	5,082	\$ -	\$ -	\$ 5,438
Due to student groups	11,898	-	-	-	11,898
Total Liabilities	<u>12,254</u>	<u>5,082</u>	<u>-</u>	<u>-</u>	<u>17,336</u>
FUND BALANCES					
Restricted	-	5,998	-	734,650	740,648
Uncommitted	-	-	2,205	-	2,205
Total Fund Balances	<u>-</u>	<u>5,998</u>	<u>2,205</u>	<u>734,650</u>	<u>742,853</u>
Total Liabilities and Fund Balances	<u>\$ 12,254</u>	<u>\$ 11,080</u>	<u>\$ 2,205</u>	<u>\$ 734,650</u>	<u>\$ 760,189</u>

LAKE TAHOE COMMUNITY COLLEGE

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE –
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Student Representation Fee	Scholarship and Loan	Post Employment Benefits Trust	Total
REVENUES				
Local revenues	\$ 10,208	\$ -	\$ 44,485	\$ 54,693
Total Revenues	<u>10,208</u>	<u>-</u>	<u>44,485</u>	<u>54,693</u>
EXPENDITURES				
Current Expenditures				
Services and operating expenditures	11,742	-	500	12,242
Total Expenditures	<u>11,742</u>	<u>-</u>	<u>500</u>	<u>12,242</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,534)</u>	<u>-</u>	<u>43,985</u>	<u>42,451</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	176,997	176,997
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>176,997</u>	<u>176,997</u>
EXCESS OF REVENUES AND OTHER FUND BALANCES, BEGINNING OF YEAR	<u>(1,534)</u>	<u>-</u>	<u>220,982</u>	<u>219,448</u>
FUND BALANCES, BEGINNING OF YEAR	7,532	2,205	513,668	523,405
FUND BALANCES, END OF YEAR	<u>\$ 5,998</u>	<u>\$ 2,205</u>	<u>\$ 734,650</u>	<u>\$ 742,853</u>

LAKE TAHOE COMMUNITY COLLEGE

**RECONCILIATION OF STATEMENT OF NET POSITION TO BALANCE SHEET
JUNE 30, 2017**

**Amounts Reported for Governmental Activities in the Statement
of Net Position are Different Because:**

Total Fund Balance:

General Funds	\$ 2,594,685	
Special Revenue Funds	12,477	
Capital Project Funds	6,533,358	
Debt Service Funds	1,255,012	
Internal Service Funds	725,082	
Total Fund Balance - All District Funds	11,120,614	\$ 11,120,614

Capital assets used in governmental activities are not financial resources and,

The cost of capital assets is	56,787,934	
Accumulated depreciation is	(19,847,904)	36,940,030

Expenditures related to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis. 3,517,621

Deferred outflows (inflows) of resources related to advance refundings are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to interest expense. 134,739

In governmental funds, accrued interest on long-term debt is recognized on the accrual basis. On the government-wide statements, bond interest costs are expensed in the year incurred. (302,943)

Deferred outflows (inflows) of resources related to pensions are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense. (1,386,566)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

General obligation bonds	(17,560,000)	
Bond premiums	(613,710)	
Capital leases payable	(44,041)	
Load banking	(40,402)	
Compensated absences	(380,511)	
Net pension liability	(12,866,555)	
Other post employment benefits	(970,719)	(32,475,938)
Total Net Position	17,547,557	\$ 17,547,557

LAKE TAHOE COMMUNITY COLLEGE

NOTES TO ADDITIONAL SUPPLEMENTAL INFORMATION JUNE 30, 2017

Basis of Presentation - Fund Accounting

The District follows GASB Statement 35 and reports its audited financial statements in accordance with business type financial statements in the audited financial statements as listed in the table of contents. Internally, the accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District has optionally included the fund financial statements in this Additional Supplementary Information section. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

LAKE TAHOE COMMUNITY COLLEGE

NOTES TO ADDITIONAL SUPPLEMENTAL INFORMATION JUNE 30, 2017

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

LAKE TAHOE COMMUNITY COLLEGE

NOTES TO ADDITIONAL SUPPLEMENTAL INFORMATION JUNE 30, 2017

Fund Balances - Governmental Funds

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 5 percent of General Fund expenditures and other financing uses.

INDEPENDENT AUDITOR'S REPORTS



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

Board of Trustees
Lake Tahoe Community College District
South Lake Tahoe, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of Lake Tahoe Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2017.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 to the financial statements, in 2017, the District adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other than Pension Plans* and GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavinek, Trine, Day & Co LLP

Pleasanton, California
December 5, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Lake Tahoe Community College District
South Lake Tahoe California

Report on Compliance for Each Major Federal Program

We have audited Lake Tahoe Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2017. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the 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 the 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2017.

Report on Internal Control Over Compliance

Management of the 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 the 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 the 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 5, 2017



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Lake Tahoe Community College District
South Lake Tahoe, California

Report on State Compliance

We have audited Lake Tahoe Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2016 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2016.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2016. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Basis for Qualified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Section 424 State General Apportionment Funding System as noted in item 2017-001. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.

Unmodified Opinion for Each of the Other Programs

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, 2017, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

Unmodified Opinion for Each of the Programs

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, 2017, except as described as items 2017-001 in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

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	Schedule 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 Programs
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

The District did not participate in the Intersession Extension Program nor spend any Proposition 1D State Bond Funded Projects funds, therefore, the compliance tests within these sections were not applicable.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 5, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAKE TAHOE COMMUNITY COLLEGE

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.033, 84.063</u>	<u>Student Financial Aid Cluster</u>

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

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	
Unmodified for all State programs except for the following State programs which were qualified:	
	<u>Name of State Program</u>
	<u>Section 424 - State General Apportionment Funding System</u>

LAKE TAHOE COMMUNITY COLLEGE

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2017**

None noted.

LAKE TAHOE COMMUNITY COLLEGE

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None noted.

LAKE TAHOE COMMUNITY COLLEGE

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

2017-001 Finding - State General Apportionment Funding System

Criteria or Specific Requirement

Actual Hours of Attendance (commonly referred to as Positive Attendance) is based on an actual count of enrolled students present at each class meeting. The total student contact hours reported for each class reported under the Actual Hours of Attendance Procedure should be the sum of the individual attendance hour totals for each student in the class as reported by the instructor.

Condition

Attendance hours for positive attendance courses were reported for dates students were marked as not present on course rosters.

Questioned Costs

Sample = 131.20 contact hours or 0.25 FTES

Extrapolated to Population = 1,968.35 contact hours or 3.75 FTES

This amount has not been adjusted on the Recalculation CCFS-320 Form.

Context

131.20 of 18,960 positive attendance contact hours tested were for dates students were marked as not present. The largest amount of the variance, 86.70 hours was from an HTR course.

Effect

Reported data was not accurate.

Cause

Certain HTR or PEF courses were reporting hours for absent students for routine out of class assignments that all students were assigned.

Recommendation

We recommend the District provide additional training to individuals documenting information related to attendance in positive attendance courses.

Management's Response and Corrective Action Plan

The District has created an information document with instructions and examples to be sent to faculty teaching positive attendance classes each quarter. This is in addition to personal conversations to ensure comprehension of the material and importance of following the procedures. This amount has not been adjusted on the Recalculation CCFS-320 Form.

LAKE TAHOE COMMUNITY COLLEGE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

2016-001 Finding - Student Success and Support Program (SSSP)

Criteria or Specific Requirement

First time, nonexempt students are required, within a reasonable timeframe, to identify an educational goal, a career goal, and a course of study and to participate in core services. Community college districts may elect to exempt certain students from participation in these services in accordance with CCR, title 5, section 55532. The Student Success and Support Program (SSSP) provides the following core services to credit and noncredit students:

- orientation
- assessment for placement
- counseling, advising and education planning
- follow-up services for at-risk students
- other services

Condition

2 students were inappropriately counted for Initial Orientation Services in Fall, 2015 when they had previously been counted for that service. Initial Orientation can only be counted once and any subsequent orientation type services should be counted in Other Services.

Questioned Costs

None

Context

Reporting of services provided to students has been significantly revised in the 2015-16 fiscal year. Of the approximately 3,000 services noted during the Fall 2015 term, 2 appeared to be inappropriately classified.

Effect

Reported data was not accurate.

Cause

One individual assisting with the providing information regarding services provided to students misunderstood how to classify orientations.

Recommendation

We recommend the District provide additional training to individuals providing information for the reporting of student services.

Management's Response and Corrective Action Plan

Due to the recent SSSP audit findings regarding Orientations, the Counseling and Office personnel were trained on using specific new coding for New Student Orientation and separate codes for secondary orientations for specialized groups. This will eliminate the duplicate recording of "orientations" for MIS data. Additionally, MIS reporting staff will run reports to eliminate common errors including duplicate entries and hold data validation meetings with counselors and student service staff to ensure data integrity before submitting MIS reports to the Chancellor's Office.

Status

Implemented.

LAKE TAHOE COMMUNITY COLLEGE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

2016-002 Finding

Criteria or Specific Requirement

Education Code Section 76002(a) specifies that for purposes of receiving state apportionments, a community college district may include high school pupils who attend a community college within the district pursuant to Sections 48800 and 76001 in the district's report of *full-time equivalent students* (FTES) only if those pupils are enrolled in community college classes that meet certain criteria. One of the criteria required is that if the class is a physical education class, no more than ten percent of its enrollment may be comprised of special part-time or full-time students. In the view of the Chancellor's Office, this ten percent limit serves as a limit on how many students may be claimed for apportionment in each course section, not how many may actually be enrolled in a class section.

Condition

The PEF-101H-01 course had 1 concurrent enrollment student out of a total enrollment of 7 students (14%) claimed for apportionment. This exceeded the 10% maximum allowed.

Questioned Costs

33 contact hours or 0.06 FTES

Context

The low enrollment in the class resulted in one concurrent enrollment student, (1 out of 7), being more than 10% of the course. The District's systems identified the course as a potential concern, however the contact hours for the concurrent enrolled student were not removed from the apportionment claimed on the 320 Form.

Effect

Contact hours were not reduced for concurrent enrollment students exceeding 10% of the course enrollment.

Cause

The "NFO" Non-Funded Other reason code, which is to indicate removing student from being counted, was used but did not function correctly and the student remained included in the contact hours calculated and submitted for apportionment.

Recommendation

We recommend the District review the procedures to verify the concurrent enrollment students in P.E. classes and ensure the calculations are functioning as intended.

Management's Response and Corrective Action Plan

In one Spring 2016 PE course a High School student represented more than 10% of the total course enrollment and therefore should not have been counted for apportionment. This student's enrollment was coded in the Colleague student information system as NFO or Non-Funded Other, which should have excluded them from FTES calculations but unfortunately it did not. However, when running the 320 process for the Recalc period the code properly excluded the student from FTES calculations. An internal review of other courses was conducted to ensure it was an isolated incident and this will be examined closely in future 320 processes. Additionally, the College is identifying a consultant to support an overall evaluation of the 320 and MIS coding in Colleague.

Status

Implemented.