

LAKE TAHOE COMMUNITY  
COLLEGE DISTRICT

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2016**

# LAKE TAHOE COMMUNITY COLLEGE DISTRICT

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***FINANCIAL SECTION***

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## 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, 2016, 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 2015-2016 *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, 2016, 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 Note 2 to the financial statements, in 2016, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; 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*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. 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 6 2016, 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.

*Varrinek, Tine, Day & Co LLP*

Pleasanton, California  
December 6, 2016

# LAKE TAHOE COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2016**

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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, 2016. 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 14, and the notes to the basic financial statements beginning on page 23.

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 2015/2016 State Budget Act was adopted on June 25, 2015. California State revenue was higher than anticipated in FY14-15, resulting in increased spending on education in FY15-16. This state increase in revenue resulted in a statutory cost-of-living adjustment (COLA) of 1.02%, resulting in an increase of about \$124,000, an ongoing 100% increase to the rural allocation, and almost \$1 million in one-time funds. In addition to these funds, LTCC received a one-time stabilization amount of approximately \$270,000 due to the decrease in FTES, accompanied by about \$170,000 in decreased expenditures as a direct result of not generating those FTES. These unique circumstances allowed LTCC to increase the ending fund balance (EFB) and STRS and PERS reserves, pay for the retirement incentives from FY14-15 (approx. \$90,000) and FY15-16 (approx. \$190,000), make payments to the other postemployment benefits (OPEB) annual required contribution (ARC), and transfer funds to the retiree benefits fund.

The state has provided additional funding for items such as instructional equipment and scheduled maintenance, along with funding for categorical programs. Most notably, the Student Success and Support Program (SSSP) realized another increase of funding in FY15-16 after the system-wide doubling of funding in FY14-15 as well an increase to the Student Equity Program (SEP).

# LAKE TAHOE COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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### Financial Highlights (Continued)

- The Board of Trustees' designated contingency reserve was designated in the Adopted Budget at 11.75% of budgeted unrestricted appropriations (\$1,675,384). At June 30, 2016, the ending unrestricted fund balance was \$2,372,889 or 15.13% of 2015/16 budgeted unrestricted appropriations. In addition to the General Fund Reserves, LTCCD held reserves in other funds for the following purposes:
  - Child Development Center (Fund 33) - \$20,000 was assigned for unanticipated declining revenue as well as unexpected expenses.
  - Capital Projects Fund (Fund 41) - \$150,000 was assigned to reserves for capital projects
  - Self-Insurance Fund (Fund 61) - \$80,000 was assigned to fund the District share of property/liability claims.
  - Retiree Health Benefits Fund (Fund 69) – \$50,000 was initially assigned to this reserve for retiree benefits with an additional \$200,000 assigned at June 30, 2016.
  - Other Post-Employment Benefits (Fund 79) - \$527,809 was initially assigned to this reserve for retiree benefits; however, this reserve was later reduced to \$513,669 due to lower than expected interest and an overall net loss on investments.
- LTCC has obtained a number of grants to support student enrollment and instruction, especially in the Federal area. The District currently has two federal TRIO grants: Upward Bound, for Math and Science Instruction and Education Talent Search to assist individuals from disadvantaged backgrounds complete postsecondary education. These federal grants are awarded in five year terms. Additionally, the District was designated as the fiscal agent for the Adult Education Block Grant (AEBG) to be expended in 2015/16 and continuing through 2016/17. This grant provides funding for the purpose of developing regional plans for adult education and funding will be allocated between the District, Lake Tahoe Unified School District (K-12) and El Dorado County of Education.
- Fiscal Year 2015-16 saw a dramatic reduction in actual full-time equivalent students (FTES) from the adopted budget. The FY15-16 adopted budget was based on 1,848 FTES; however, actual FTES was only 1,695 at year-end. This led to stabilization in FY15-16 at 1761 FTES, based on FY14-15 actual FTES. The reduction in FY15-16 FTES is attributable in large part to four areas: not meeting enrollment targets for face-to-face, noncredit, the incarcerated students program (ISP), and the South Bay Regional Public Safety Training Consortium (SBRPSTC). Modest growth in the ISP and SBRPSTC is projected in FY16-17. LTCC continues to attempt to rebuild to prior FTES levels through FTES diversification and enrollment management efforts.

# LAKE TAHOE COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

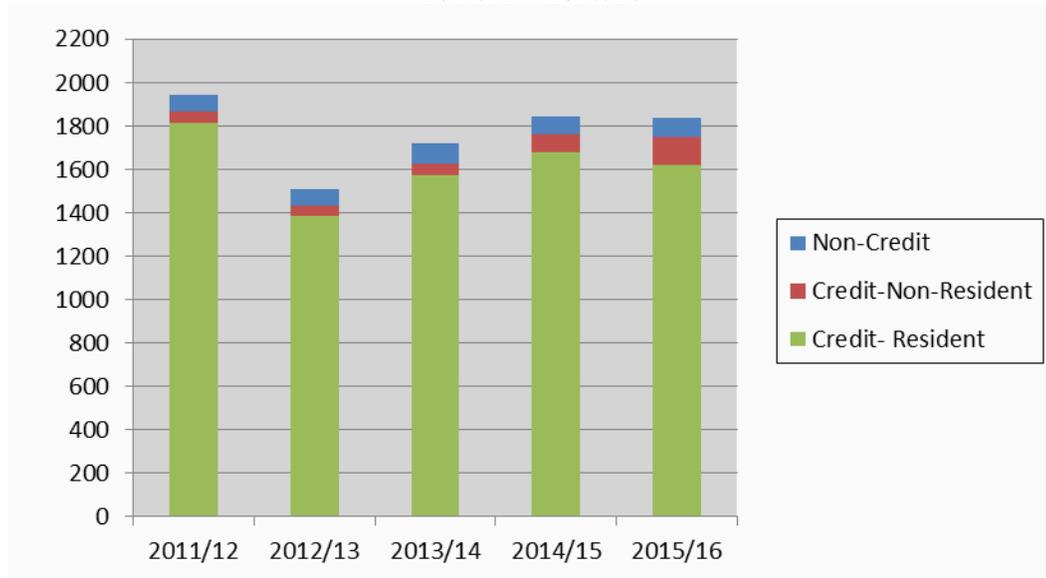
JUNE 30, 2016

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### Financial Highlights (Continued)

The following chart summarizes the past five years of enrollment:

FTES Growth/Decline  
2011/12 – 2015/16



For the fiscal year 2015/16, each non-credit FTES was funded at \$2,840.43 per student and \$4,723.59 for each non-credit CDCP student. Each resident credit FTES was funded at a rate of \$4,723.59. In 2012/13 the District qualified for “stability funding”, a one-time funding mechanism to allow the District to adjust to the FTES decline. By State regulation, the District will have three years, ending in 2015/16, to restore FTES and corresponding funding; however, this did not occur. The District again qualified for “stability funding” in 2015/16 and will have until 2018/19 to restore FTES and corresponding funding to that of actual FTES of 1,761 based on 2014/15 amounts.

### Ancillary Programs

- The District’s Bookstore is operated by Barnes & Noble. The District receives 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 \$20,490 in commissions from Barnes & Noble for the 2015/16 fiscal year.
- 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 2015/16 was \$26,925 which was partially covered with a \$15,000 subsidy from the general fund.
- 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 2015/16 this program generated \$255,124 in revenue and provided over 189 workshops to approximately 1,936 participants.

# LAKE TAHOE COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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### 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>2016</u>	<u>2015</u>	<u>% Change</u>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 22,400,789	\$ 2,383,431	839.9%
Accounts receivable, net	630,095	1,102,725	-42.9%
Prepaid expenses and security deposits	22,317	13,765	62.1%
<b>Total Current Assets</b>	<u>23,053,201</u>	<u>3,499,921</u>	558.7%
<b>Noncurrent Assets</b>			
Other post employment benefits	3,562	-	100.0%
Capital assets, net	29,772,847	27,800,997	7.1%
<b>Total Noncurrent Assets</b>	<u>29,776,409</u>	<u>27,800,997</u>	7.1%
<b>TOTAL ASSETS</b>	<u>\$ 52,829,610</u>	<u>\$ 31,300,918</u>	68.8%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Current year deferred outflows	<u>\$ 3,348,478</u>	<u>\$ 749,277</u>	346.9%

- Total assets for the District increased 558.7% in fiscal year 2015/16 from the previous fiscal year.
- Cash and cash equivalents increased by over 839.9% due to the sale of 2014 Series A general obligation bonds in the amount of \$19,000,000.
- Receivables decreased 42.9% year over year primarily due to the continued improvement in timing of apportionment revenue received from the State and timely drawdowns of funds on the TRIO Grants.
- 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 7.1% 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, 2016

### Statement of Net Position (Continued)

LIABILITIES	2016	2015	% Change
<b>Current Liabilities</b>			
Accounts payable	\$ 864,343	\$ 418,053	106.8%
Accrued payroll and related liabilities	548,304	520,235	5.4%
Accrued interest	314,943	-	100.0%
Due to fiduciary funds	2,776	154,997	-98.2%
Unearned revenue	1,439,804	712,660	102.0%
Long term debt - current portion	1,661,240	192,001	765.2%
<b>Total Current Liabilities</b>	<u>4,831,410</u>	<u>1,997,946</u>	141.8%
<b>Noncurrent Liabilities</b>			
Compensated absences payable - noncurrent portion	377,260	310,073	21.7%
Bonds payable - noncurrent portion	18,173,710	1,135,000	1501.2%
Lease obligations	2,755	-	100.0%
Aggregate net pension obligation	10,948,832	9,282,659	17.9%
Other post employment benefits	-	152,604	-100.0%
<b>Total Noncurrent Liabilities</b>	<u>29,502,557</u>	<u>10,880,336</u>	171.2%
<b>TOTAL LIABILITIES</b>	<u>\$ 34,333,967</u>	<u>\$ 12,878,282</u>	166.6%
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Difference between projected and actual earnings on pension plan investments	\$ 2,522,308	\$ 3,179,126	-20.7%

- Accounts payable amounts increased 106.8% primarily due to year-end accruals to include State Apportionment, Bond Construction Projects and Golden Handshakes.
- Accrued payroll increased 5.4% due to variations in scheduling that shift the number of sections and days of wages earned in June but not paid until July 2016.
- Due to fiduciary funds decreased 98.2% due to changes in timing of transfers of funds to the irrevocable trust to fund other post employment benefits.
- Unearned revenue increased 102.0% due to rollover of Student Success of \$258,095 and Adult Education Block Grant \$473,044.
- 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 increased 765.2% and the non-current portion by 171.2% due primarily to the issuance of the 2014 Series A general obligations bonds.
- Aggregate net pension liability related to the District’s share of unfunded PERS and STRS pension plan liabilities is included due to the implementation of 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, 2016

### Statement of Net Position (Continued)

	<u>2016</u>	<u>2015</u>	<u>% Change</u>
Invested in capital assets, net	\$ 10,768,728	\$ 26,571,145	-59.5%
Restricted or reserved	17,108,925	437,406	3811.5%
Unrestricted	(8,555,840)	(11,015,763)	-22.3%
<b>Total Net Position</b>	<u>\$ 19,321,813</u>	<u>\$ 15,992,788</u>	20.8%

- 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 the implementation of GASB 68 *Accounting and Financial Reporting for Pensions*.

### 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 15 of this report, the cost of all the District's governmental activities this year was \$21,326,338. The amount funded through local taxpayers by means of property taxes and other revenue was \$6,118,063; an increase of 37.6% from the previous fiscal year. Unrestricted state apportionment totaled \$8,907,460, increased 13.3% due to one-time funds of \$1M, a 100% increase in rural allocation and stability of \$270K.

Net tuition and fees increased 10.8% in fiscal year 2015/16 primarily due to an increase in enrollment of non-resident students offset by an increase in the in scholarship discounts and allowances such as Board of Governors Grant (BOGG) waivers from the prior year. Federal grants awarded to the District decreased year-over-year with Federal grants awarded to the District decreased year-over-year with the loss of TRIO SSS. State and local grants also increased due to Student Success, Student Equity and significant increased funding for the Adult Education Block Grant. The increase reflected in apportionment was due to 100% increase in rural allocation and almost \$1 million in one-time funds, as well as one-time stabilization of approximately \$270,000. Secured Roll taxes and taxes collected for payments on the general obligation bonds are primarily responsible for the increase in local taxes.

	<u>2016</u>	<u>2015</u>	<u>% Change</u>
<b>REVENUE SOURCE</b>			
OP-Net Tuition and Fees	\$ 2,208,564	\$ 1,993,273	10.8%
NO-Federal Grants	2,513,961	2,798,460	-10.2%
NO-State/Local Grants	4,827,192	2,541,548	89.9%
NO-Appportionment	8,907,460	7,865,003	13.3%
NO-State/Local Taxes, Other Revenue	6,118,063	4,446,288	37.6%

OP: Operating      NO: Non-Operating

# LAKE TAHOE COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2016**

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

Total operating expenses increased approximately 3.4% from the previous fiscal year with the largest increases occurring in salaries and benefits primarily due to the changes in OPEB funding 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.

<b>EXPENSE CATEGORY</b>	<b>2016</b>	<b>2015</b>	<b>% Change</b>
OP-Salaries	\$ 10,243,679	\$ 9,446,081	8.4%
OP-Benefits	2,622,976	3,279,085	-20.0%
OP-Supplies/Other Operating	4,922,550	4,299,446	14.5%
OP-Payments to Students	2,121,988	2,271,209	-6.6%
OP-Depreciation	1,415,145	1,358,658	4.2%
NO-Interest Expense	58,516	35,346	65.6%

*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.

<b>Cash (used in) provided by:</b>	<b>2016</b>	<b>2015</b>	<b>% Change</b>
Operating activities	\$ (18,236,791)	\$ (17,857,424)	2.1%
Non-capital financing activities	21,416,742	19,503,571	9.8%
Capital and related financing activities	16,837,825	(555,567)	-3130.7%
Investing activities	-	5,585	-100.0%
Net increase (decrease) in cash and cash equivalents	20,017,776	1,096,165	1726.2%
Cash and cash equivalents- Beginning of fiscal year	2,383,013	1,286,866	85.2%
Cash and cash equivalents - End of fiscal year	<u>\$ 22,400,789</u>	<u>\$ 2,383,031</u>	840.0%

- 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 increase in net cash provided by capital and related financing activities is a result of proceeds from the sale of the 2014 Measure F Election Series A general obligation bonds.
- Investing activities include interest and capital gains on District investments.
- Overall, cash at the end of the year increased significantly due to the sale of the 2014 Measure F Election Series A general obligation bonds.

# LAKE TAHOE COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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### Factors That May Affect the Future

- The District saw a dramatic reduction in actual full-time equivalents from the adopted budget. Heading into FY16-17, 1761 FTES are projected with the following 4 areas anticipated to have the most impact:
  - The South Bay Regional Public Safety Training Consortium Partnership (SBRPSTC) is projected for a conservative 280 FTES in 2016/17 due to the unanticipated reduction of 60 FTES in 2015/16.
  - Incarcerated Students Program is projected for moderate growth in 2016/17 with the expectation of 140 FTES.
  - The Dual Enrollment Program, in its second year of partnership with Lake Tahoe Unified School District which now includes freshman and sophomores in the program, is expected to result in 35 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 is new in 2016/17 replaces the Good Neighbor Policy which was eliminated in 2011. The anticipated FTES from this new agreement is 30 FTES.
- The State of California adopted its 2016/17 budget as per statutory law on-time for the sixth consecutive year. The budget reflects an economy that has expanded for seven 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 16-17 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 \$1Million 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 \$150,000 of new funding to increase the base allocation from the state, as well as an increase to the marginal FTES funding rate to \$5,004 per FTES.
  3. 0% 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 \$850,000 for the annual allocation, plus approximately \$360,000 in deferred revenue from FY15-16, and another \$110,000 for a data grant associated with reporting requirements.
  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 \$150,000.
- 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, 2016

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### 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 19.8% by 2020/21 up from 11.77% in 2014/15. Employer contributions to STRS are also projected to increase annually up to 19.1% in 2020/21 up from 8.88% in 2014/15.
- 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 11.75% in FY 15-16; however, through additional funding and conservative spending the actual EFB was 15.13% followed with a slightly higher projected EFB of 15.25%, for FY16-17. Although the EFB seems to have gained strength, long-term projections indicate that revenue will decrease in 2016/17 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 2016/17 is built based on the stability model using 2014/15 FTES of 1761. If that is not achieved, it will greatly impact the college's revenue picture. There is also concern regarding the decline of FTES on campus and speculation on whether or not 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 allows 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, Jeff DeFranco, Vice President of Administrative Services of Lake Tahoe Community College [defranco@ltcc.edu](mailto:defranco@ltcc.edu) or (530)541-4660.

**LAKE TAHOE COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF NET POSITION - PRIMARY GOVERNMENT  
JUNE 30, 2016**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 22,400,789
Accounts receivable, net	630,095
Prepaid expenses and security deposits	22,317
<b>Total Current Assets</b>	<u>23,053,201</u>

**Noncurrent Assets**

Other post employment benefit plan	3,562
Nondepreciable capital assets	3,084,463
Depreciable capital assets, net of depreciation	26,688,384
<b>Total Noncurrent Assets</b>	<u>29,776,409</u>
<b>TOTAL ASSETS</b>	<u>52,829,610</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charge on refunding	139,385
Deferred outflows of resources related to pensions	3,209,093
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>3,348,478</u>

**LIABILITIES**

**Current Liabilities**

Accounts payable	864,343
Accrued payroll and related liabilities	548,304
Interest payable	314,943
Due to fiduciary funds	2,776
Unearned revenue	1,439,804
Bonds payable - current portion	1,461,918
Lease obligations - current portion	1,364
Other long-term liabilities - current portion	197,958
<b>Total Current Liabilities</b>	<u>4,831,410</u>

**Noncurrent Liabilities**

Compensated absences payable - noncurrent portion	377,260
Bonds payable - noncurrent portion	18,173,710
Lease obligations - noncurrent portion	2,755
Aggregate net pension obligation	10,948,832
<b>Total Noncurrent Liabilities</b>	<u>29,502,557</u>
<b>TOTAL LIABILITIES</b>	<u>34,333,967</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources related to pensions	<u>2,522,308</u>
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**NET POSITION**

Net investment in capital assets	10,768,728
Restricted for:	
Debt service	2,790,137
Capital projects	14,170,937
Educational programs	124,268
Other activities	23,583
Unrestricted	(8,555,840)
<b>TOTAL NET POSITION</b>	<u>\$ 19,321,813</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, 2016

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### OPERATING REVENUES

Student Tuition and Fees	\$ 3,250,976
Less: Scholarship discount and allowance	(1,146,212)
<b>TOTAL OPERATING REVENUES</b>	<u>2,104,764</u>

### OPERATING EXPENSES

Salaries	10,243,679
Employee benefits	2,622,976
Supplies, materials, and other operating expenses and services	4,818,750
Student financial aid	2,121,988
Depreciation	1,415,145
<b>TOTAL OPERATING EXPENSES</b>	<u>21,222,538</u>

### OPERATING LOSS

(19,117,774)

### NONOPERATING REVENUES (EXPENSES)

State apportionments, noncapital	8,907,460
Local property taxes, levied for general purposes	3,940,126
Taxes levied for other specific purposes	1,536,034
Federal grants	2,513,961
State grants	4,240,907
Local grants	586,285
State taxes and other revenues	6,906
Interest expense on capital related debt	(58,516)
Investment income on capital asset-related debt, net	811,994
Transfer to fiduciary funds	(176,997)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>22,308,160</u>

### INCOME BEFORE OTHER REVENUES AND EXPENSES

3,190,386

State revenues, capital

138,639

### CHANGE IN NET POSITION

3,329,025

### NET POSITION, BEGINNING OF YEAR

15,992,788

### NET POSITION, END OF YEAR

\$ 19,321,813

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, 2016

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees	\$ 2,240,401
Payments to vendors for supplies and services	(4,244,044)
Payments to or on behalf of employees	(14,111,160)
Payments to students for scholarships and grants	(2,121,988)
<b>Net Cash Flows From Operating Activities</b>	<u>(18,236,791)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State apportionments	9,305,030
Property taxes - nondebt related	3,940,126
Federal grants and contracts	2,627,861
State grants and contracts	4,720,881
Other nonoperating	822,844
<b>Net Cash Flows From Noncapital Financing Activities</b>	<u>21,416,742</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Purchase of capital assets	(3,365,326)
State revenue, capital projects	138,639
Local revenue, capital projects	19,000,000
Property taxes - related to capital debt	1,536,034
Principal paid on capital debt	(1,225,000)
Interest paid on capital debt	(58,516)
Interest received on capital asset-related debt	811,994
<b>Net Cash Flows From Capital Financing Activities</b>	<u>16,837,825</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>20,017,776</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,383,013</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 22,400,789</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, 2016

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

Operating Loss	<u>\$ (19,117,774)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation and amortization expense	1,415,145
Miscellaneous nonoperating income	
On behalf payments	299,281
Changes in Assets and Liabilities:	
Receivables	(37,471)
Accounts payable, current loans, and accrued liabilities	280,254
Unearned revenue	173,319
Change in deferred outflows	(2,102,735)
Change in deferred inflows	(656,818)
Pension obligation	1,666,174
OPEB obligation	<u>(156,166)</u>
Total Adjustments	880,983
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$ (18,236,791)</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, 2016

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	<u>Trust</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 184,048	\$ 9,851
Investments	336,628	-
Due from primary government	2,776	-
<b>Total Assets</b>	<u>523,452</u>	<u>\$ 9,851</u>
 <b>LIABILITIES</b>		
Accounts payable	47	\$ -
Due to student groups	-	9,851
<b>Total Liabilities</b>	<u>47</u>	<u>\$ 9,851</u>
 <b>NET POSITION</b>		
Restricted	523,405	
<b>Total Net Position</b>	<u>\$ 523,405</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, 2016

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	<b>Trust</b>
<b>ADDITIONS</b>	
Local revenues	\$ 20,988
<b>Total Additions</b>	<u>20,988</u>
<b>DEDUCTIONS</b>	
Books and supplies	106
Services and operating expenditures	4,466
<b>Total Deductions</b>	<u>4,572</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Operating transfers in	176,997
Other uses	(11,842)
<b>Total Other Financing Sources (Uses)</b>	<u>165,155</u>
<b>Change in Net Position</b>	181,571
<b>Net Position - Beginning</b>	341,834
<b>Net Position - Ending</b>	<u>\$ 523,405</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, 2016

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### ASSETS

#### CURRENT ASSETS

Cash and cash equivalents	\$ 168,845
Accounts receivable	8,157
Prepaid expenses	8,086

#### Total Current Assets

185,088

#### NONCURRENT ASSETS

Investments	3,374,610
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#### TOTAL ASSETS

\$ 3,559,698

### LIABILITIES AND NET ASSETS

#### CURRENT LIABILITIES

Accounts payable	\$ 213,105
Unearned revenue	44,715

#### Total Current Liabilities

257,820

#### NET ASSETS

Unrestricted	339,562
Temporarily restricted	2,537,682
Permanently restricted	424,634

#### Total Net Assets

3,301,878

#### Total Liabilities and Net Assets

\$ 3,559,698

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, 2016**

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES</b>				
Donations	\$ 43,865	\$ 320,509	\$ -	\$ 364,374
Special events, net	42,432	-	-	42,432
In-kind contribution	89,192	4,736	-	93,928
Interest and dividends, net	35,935	31,192	-	67,127
Assets released from restrictions	458,291	(458,291)	-	-
<b>Total Revenues</b>	<u>669,715</u>	<u>(101,854)</u>	<u>-</u>	<u>567,861</u>
<b>EXPENSES</b>				
Operating expenses	143,966	-	-	143,966
Program expenses	524,635	-	-	524,635
Fundraising expenses	1,980	-	-	1,980
<b>Total Expenses</b>	<u>670,581</u>	<u>-</u>	<u>-</u>	<u>670,581</u>
<b>CHANGE IN NET ASSETS</b>	(866)	(101,854)	-	(102,720)
<b>NET ASSETS, BEGINNING OF YEAR</b>	340,428	2,639,536	424,634	3,404,598
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 339,562</u>	<u>\$ 2,537,682</u>	<u>\$ 424,634</u>	<u>\$ 3,301,878</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, 2016**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (102,720)
Changes in Assets and Liabilities	
Decrease in accounts receivable	(8,157)
Decrease in prepaid expenses	(3,192)
Increase in accounts payable	200,514
Increase in deferred revenues	32,973
<b>Net Cash Flows From Operating Activities</b>	<u>119,418</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investments	<u>(115,548)</u>
<b>Net Cash Flows From Investing Activities</b>	<u>(115,548)</u>

<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	3,870
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>164,975</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 168,845</u></u>

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

# LAKE TAHOE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### *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, 2016**

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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, 2016**

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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, 2016, 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, 2016

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### 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, 2016**

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### **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, 2016**

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### **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.

None of the District's restricted net position has resulted from enabling legislation adopted by the District.

**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 \$17,108,925 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

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### 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, 2016, was \$299,281 for CalSTRS. There were no state contributions to CalPERs for the fiscal year ended June 30, 2016. 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

**JUNE 30, 2016**

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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 February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments 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 with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

# LAKE TAHOE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

# LAKE TAHOE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### New Accounting Pronouncements

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 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 Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

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 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. 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 15, 2017. Early implementation is encouraged.

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 requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Early implementation is encouraged.

# LAKE TAHOE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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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 Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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 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 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 requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of 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 Statement No. 14, *The Financial Reporting Entity, as amended*. 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 Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged.

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.

# LAKE TAHOE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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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 Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 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.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, 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. 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.

**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.

**LAKE TAHOE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**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

**Summary of Deposits and Investments**

Deposits and investments of the Primary Government as of June 30, 2016, consist of the following:

<b>Primary Government</b>		
Cash on hand and in banks		\$ 1,597,327
Cash in revolving		9,925
Investments		<u>20,793,537</u>
Total Deposits and Investments		<u><u>\$ 22,400,789</u></u>

Deposits and investments of the Fiduciary Funds as of June 30, 2016, consist of the following:

<b>Fiduciary Funds</b>		
Cash on hand and in banks		\$ 12,056
Investments		<u>518,471</u>
Total Deposits and Investments		<u><u>\$ 530,527</u></u>

# LAKE TAHOE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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### 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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
Money market master trust	\$ 336,628	Not applicable
County Pool	7,806,047	0.84
State Investment Pool	13,169,333	0.65
Total	<u>\$ 21,312,008</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, 2016.

### 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, 2016, approximately \$200,000 of the District's bank balance of \$450,000 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.

### Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District had no custodial credit risk on the investment in El Dorado Savings Bank of approximately \$400.

**LAKE TAHOE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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**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.

The District's fair value measurements are as follows at June 30, 2016:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Money market master trust	\$ 336,628	\$ -	\$ 336,628	\$ -	\$ -
County Pool	7,806,047	-	-	-	7,806,047
State Investment Pool	13,169,333	-	-	-	13,169,333
Total	<u>\$ 21,312,008</u>	<u>\$ -</u>	<u>\$ 336,628</u>	<u>\$ -</u>	<u>\$ 20,975,380</u>

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

# LAKE TAHOE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### *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:

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 189,244
State Government	
Categorical aid	47,431
Lottery	199,325
Local Sources	
Student receivables	83,268
Other local sources	110,827
Total	<u>\$ 630,095</u>

#### **Foundation**

The Foundation has received a pledge for \$5.8 million for the University Center building project. \$2 million of this pledge has been recorded and received by June 30, 2016. 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, 2016**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the District for the fiscal year ended June 30, 2016, was as follows:

	Balance Beginning of Year	Adjustments	Additions	Deductions	Balance End of Year
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 779,241	\$ -	\$ -	\$ -	\$ 779,241
Collections	125,000	15,000	-	-	140,000
Construction in progress	347,987	6,669	3,244,091	1,433,525	2,165,222
Total Capital Assets Not Being Depreciated	<u>1,252,228</u>	<u>21,669</u>	<u>3,244,091</u>	<u>1,433,525</u>	<u>3,084,463</u>
<b>Capital Assets Being Depreciated</b>					
Land improvements	1,187,286	-	36,768	-	1,224,054
Building improvements	785,539	-	1,371,552	-	2,157,091
Buildings	37,545,688	-	-	-	37,545,688
Equipment	3,895,392	-	146,440	-	4,041,832
Total Capital Assets Being Depreciated	<u>43,413,905</u>	<u>-</u>	<u>1,554,760</u>	<u>-</u>	<u>44,968,665</u>
Total Capital Assets	<u>44,666,133</u>	<u>21,669</u>	<u>4,798,851</u>	<u>1,433,525</u>	<u>48,053,128</u>
<b>Less Accumulated Depreciation</b>					
Land improvements	1,138,846	-	10,382	-	1,149,228
Building improvements	362,111	-	131,600	-	493,711
Buildings	13,568,132	-	646,994	-	14,215,126
Equipment	1,796,047	-	626,169	-	2,422,216
Total Accumulated Depreciation	<u>16,865,136</u>	<u>-</u>	<u>1,415,145</u>	<u>-</u>	<u>18,280,281</u>
Net Capital Assets	<u>\$ 27,800,997</u>	<u>\$ 21,669</u>	<u>\$ 3,383,706</u>	<u>\$ 1,433,525</u>	<u>\$ 29,772,847</u>

Depreciation expense for the year was \$1,415,145.

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable for the District consisted of the following:

	Primary Government
Pell disbursements	\$ 7,495
Construction	355,444
Other	501,404
Total	<u>\$ 864,343</u>

**LAKE TAHOE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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**NOTE 8 - UNEARNED REVENUE**

Unearned revenue consisted of the following:

	Primary Government
Federal financial assistance	\$ 1,295
State categorical aid	883,849
Enrollment fees	173,319
Other local	381,341
Total	<u>\$ 1,439,804</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, 2016, the amount owed between the primary government and the fiduciary funds was \$2,776.

**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 2016 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, 2016**

**NOTE 10 - LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District's long-term obligations during the 2016 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions Defeased	Balance End of Year	Due in One Year
<b>Bonds and Notes Payable</b>					
Lease revenue bonds	\$ 1,225,000	\$ -	\$ 1,225,000	\$ -	\$ -
General obligation bonds	-	19,000,000	-	19,000,000	1,440,000
Premiums	-	657,546	21,918	635,628	21,918
Total Bonds and Notes Payable	<u>\$ 1,225,000</u>	<u>\$ 19,657,546</u>	<u>\$ 1,246,918</u>	<u>\$ 19,635,628</u>	<u>\$ 1,461,918</u>
<b>Other Liabilities</b>					
Compensated absences	270,088	73,101	-	343,189	-
Capital leases	4,852	-	733	4,119	1,364
Early retirement incentive	97,149	197,958	97,149	197,958	197,958
Banked faculty load	39,985	-	5,914	34,071	-
Other post employment benefits	152,604	176,997	333,163	(3,562)	-
Aggregate net pension liability	9,282,658	1,666,174	-	10,948,832	-
Total Other Liabilities	<u>9,847,336</u>	<u>2,114,230</u>	<u>339,077</u>	<u>11,524,607</u>	<u>199,322</u>
Total Long-Term Debt	<u>\$ 11,072,336</u>	<u>\$ 21,771,776</u>	<u>\$ 1,585,995</u>	<u>\$ 31,160,235</u>	<u>\$ 1,661,240</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, 2016, the bonds \$19,000,000 was outstanding. The general obligations bonds mature through August 2045. Interest rates range from 2.00- 5.00 percent.

The lease revenue bonds were issued on January 1, 2006 in the amount of \$1,915,000 to finance the purchase of equipment and to fund the reconstruction of the old library space. At June 30, 2016, the bonds had been defeased and no amount was outstanding. The lease revenue bonds mature through August 2025. Interest rates range from 3.5- 4.38 percent.

The District has utilized capital leases agreements to purchase equipment. The current lease purchase agreements in the amount of \$4,119 will be paid through June 2020.

**LAKE TAHOE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Debt Maturity**

**General Obligation Bonds**

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ 1,440,000	\$ 741,463	\$ 2,181,463
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
2022-2026	615,000	3,285,563	3,900,563
2027-2031	1,350,000	3,115,944	4,465,944
2032-2036	2,595,000	2,674,375	5,269,375
2037-2041	4,370,000	1,863,625	6,233,625
2042-2046	6,675,000	708,500	7,383,500
Total	<u>\$ 19,000,000</u>	<u>\$ 15,134,897</u>	<u>\$ 34,134,897</u>

**Capital Leases**

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

	Copiers
Balance, July 1, 2015	\$ 4,852
Additions	-
Payments	733
Balance, June 30, 2016	<u>\$ 4,119</u>

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

Year Ending June 30,	Lease Payment
2017	\$ 1,364
2018	1,364
2019	1,364
2020	341
Total	<u>\$ 4,433</u>
Less: Amount Representing Interest	314
Present Value of Minimum Lease Payments	<u>\$ 4,119</u>

**Compensated Absences**

At June 30, 2016, the liability for compensated absences was \$343,189.

# LAKE TAHOE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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### **Banked Faculty Load**

The District calculated the total long term portion of banked faculty load as of June 30, 2016 at \$34,071. The unfunded faculty banked leave is included in the entity-wide statements.

### **Other Postemployment Benefits Asset**

The District's annual required contribution for the year ended June 30, 2016, was \$176,997, and contributions made by the District during the year were \$333,163, which resulted in a decrease of \$156,166 to the net OPEB obligation. As of June 30, 2016, the net OPEB asset was \$3,562. See Note 11 for additional information regarding the OPEB asset 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, 2016 was \$10,948,832. 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**

The District Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. 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. Membership of the Plan consists of 11 retirees and beneficiaries currently receiving benefits, and 95 active Plan members.

### **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.

### **Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years.

**LAKE TAHOE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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

Annual required contribution	\$ 176,997
Contributions made	(333,163)
Increase in net OPEB obligation	(156,166)
Net OPEB obligation, July 1, 2015	152,604
Net OPEB asset, June 30, 2016	<u><u>\$ (3,562)</u></u>

**Trend Information**

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset/obligation for the past three years is as follows:

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed	Net OPEB (Asset)/Obligation
2014	\$ 184,238	\$ 323,948	176%	\$ 299,182
2015	176,997	323,575	183%	152,604
2016	176,997	333,163	188%	(3,562)

**Funding Status and Funding Progress**

The District established an irrevocable trust to partially fund the plan. The District contributed \$155,967 to the Plan, and \$177,196 was paid for current premiums (pay as you go amount). The actuarial accrued liability of \$1,455,404 was based on the March 1, 2015, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required 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.

**Actuarial Methods and Assumptions**

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

In the March 1, 2015, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 6.5 percent investment rate of return (net of administrative expenses), based on the assumed long term return on employer assets and healthcare cost trend rates of 4 percent. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at March 1, 2015, was 25 years.

**LAKE TAHOE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**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
2017	\$ 85,653
2018	86,938
2019	88,242
2020	89,565
2021	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, 2016, 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, 2016**

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**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, 2016, 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	\$ 6,551,557	\$ 938,237	\$ 1,322,671	\$ 445,782
CalPERS	4,397,275	2,270,856	1,199,637	258,300
Total	\$ 10,948,832	\$ 3,209,093	\$ 2,522,308	\$ 704,082

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, 2014, 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, 2016**

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, 2016, 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	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required State contribution rate	7.12589%	7.12589%

**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, 2016, are presented above, and the District's total contributions were \$422,035.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, 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	\$ 6,551,557
State's proportionate share of net pension liability associated with the District	3,465,051
Total	<u>\$ 10,016,608</u>

**LAKE TAHOE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

The net pension liability was measured as of June 30, 2015. 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, 2015 and June 30, 2014 was 0.0097 percent and 0.0100 percent, respectively, resulting in a net decrease in the proportionate share of 0.0003 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$455,782. In addition, the District recognized pension expense and revenue of \$299,281 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 422,035	\$ -
Net change in proportionate share of net pension	-	162,934
Deferred outflows (inflows) of resources related to pensions	516,202	1,050,259
Differences between expected and actual experience in the measurement of the total pension liability	-	109,478
Total	<u>\$ 938,237</u>	<u>\$ 1,322,671</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
2017	\$ (221,036)
2018	(221,036)
2019	(221,036)
2020	129,051
Total	<u>\$ (534,057)</u>

**LAKE TAHOE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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 2014-2015 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (45,402)
2018	(45,402)
2019	(45,402)
2020	(45,402)
2021	(45,402)
Thereafter	(45,402)
Total	<u>\$ (272,412)</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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
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, 2016**

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%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

**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%)	\$ 9,892,341
Current discount rate (7.60%)	\$ 6,551,557
1% increase (8.60%)	\$ 3,775,096

# LAKE TAHOE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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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, 2014, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. 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, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
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	11.847%	11.847%

# LAKE TAHOE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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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, 2016, are presented above, and the total District contributions were \$426,730.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$4,397,275. The net pension liability was measured as of June 30, 2015. 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, 2015 and June 30, 2014 was 0.0298 percent and 0.0303 percent, respectively, resulting in a net decrease in the proportionate share of 0.0005 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$258,300. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 426,730	\$ -
Net change in proportionate share of net pension liability	870,610	56,684
Deferred outflows (inflows) of resources related to pensions	722,205	872,772
Differences between expected and actual experience in the measurement of the total pension liability	251,311	-
Changes of assumptions	-	270,181
Total	<u>\$ 2,270,856</u>	<u>\$ 1,199,637</u>

**LAKE TAHOE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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	\$ (110,373)
2018	(110,373)
2019	(110,373)
2020	180,552
Total	<u>\$ (150,567)</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 2014-2015 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	\$ (409,252)
2018	(409,252)
2019	23,448
Total	<u>\$ (795,056)</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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
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

**JUNE 30, 2016**

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%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

### 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%)	\$ 7,156,931
Current discount rate (7.65%)	\$ 4,397,275
1% increase (8.65%)	\$ 2,102,436

**LAKE TAHOE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**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, 2016, 2015, and 2014, which amounted to \$299,281, \$248,996, and \$235,590, respectively, (7.12589 percent for 2015) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act CalPERS. No contributions were made for CalPERS for the years ended June 30, 2016, 2015, and 2014. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amount have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

**NOTE 15 – CalSTRS EARLY RETIREMENT INCENTIVE PROGRAM**

The District has adopted an early retirement incentive program pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years and age is increased by two years). Eligible employees must have five or more years of service under the California State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District (retire during the window period in the formal action taken by the District's Governing Board).

Position Vacated	Age	Service Credit	Retired Employee		Replacement Employee	
			Salary	Benefits	Salary	Benefits
Dean	55y, 10m	16	\$ 483,096	\$ 163,318	\$ 436,069	\$ 150,813
Faculty	63y, 4m	26	180,605	67,049	9,360	1,561
Faculty	64y, 2m	29	89,180	32,502	24,960	3,931
Faculty	59y, 4m	15	153,664	62,556	87,199	33,341
			<u>\$ 906,545</u>	<u>\$ 325,425</u>	<u>\$ 557,588</u>	<u>\$ 189,646</u>

As a result of this early retirement incentive program, the District has incurred (or expects to incur) \$197,958 in additional costs. The breakdown in the additional costs is presented below:

Retirement Costs (including admin, one time payout with no interest)	\$ 1,160
Postretirement Health and Benefit Costs	<u>196,798</u>
Total Additional Costs	<u>\$ 197,958</u>

# LAKE TAHOE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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### ***NOTE 16 - 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 it 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, 2016, the District made payments of \$89,359 to the Statewide Association of Community Colleges, \$2,056,331 to the Tri-County School Insurance Group, \$175,367 to Protected Insurance Program for Schools and Community Colleges, and \$1,094,647 to South Bay Regional Public Safety.

### ***NOTE 17 - 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, 2016.

#### **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, 2016.

#### **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 is developing its self-study reports for accreditation comprehensive visits in Fall 2017.

#### **Financial Condition**

The District is in the first year of a three-year stability funding phase from the State Chancellor's Office. At June 30, 2016, the funding formula included funding of 82.59 FTES (\$390,121.89) which has not yet been restored. 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.

# LAKE TAHOE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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### Construction Commitments

As of June 30, 2016, the District had the following commitments with respect to the unfinished capital projects.

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Student Commons Enhancement	\$ 1,192,905	10/31/2017
Soccer Field Renovation	641,431	10/31/2016
Solar Generation Storage Facility	36,597	6/30/2017
Art Lab Air Quality Improvements	289,605	6/30/2017
Floating Acre - Land Purchase and Acquisition Costs	396,366	10/31/2016
Remodel For Efficiency Phase 1	16,000	10/31/2020
HVAC Phase 2 - South Mechanical Building	950,578	10/31/2016
HVAC Phase 3 - EMS Repairs (Theatre and Other Locations TBD)	182,231	10/31/2017
Greenway Bike Trail	32,741	10/15/2020
D-Wing Water Intrusion	14,662	6/30/2017
Gymnasium Renovation	84,997	9/30/2016
Flooring Replacement and Space Renovation Phase 1	67,972	9/30/2016
Campus-Wide Siding Phase 2	1,119	10/31/2016
Maintenance Warehouse Floor Repair	11,325	7/31/2016
Main Parking Lot/ADA Improvements	3,391,472	10/31/2016
Parking Lot Expansion Phase 2	496,483	10/31/2018
Backbone Cabling and Hardware	149,607	9/30/2017
Wireless Access	70,862	2/28/2017
Video Capture/Multimedia and Distance Learning	172,040	9/30/2017
Centralized Clock System Phase 1	14,327	2/28/2017
Enhanced Cellular Connectivity	1,360	5/31/2017
Mobile Charging Systems	20,080	10/31/2017
Servers and Firewall <sup>3</sup>	81,032	9/30/2017
Building Service Systems	91,440	10/31/2018
Intercom System	48,440	9/30/2017
Panic System	13,400	5/31/2018
University Center	5,483,711	10/31/2018
Total	<u>\$ 13,952,783</u>	

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**LAKE TAHOE COMMUNITY COLLEGE**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2016**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Method Used (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ([b - a] / c)</b>
February 1, 2010	\$ -	\$ 2,324,309	\$ 2,324,309	0%	\$ 6,281,082	37%
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%

**LAKE TAHOE COMMUNITY COLLEGE**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>CalSTRS</b>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	<u>0.0097%</u>	<u>0.0100%</u>
District's proportionate share of the net pension liability	\$ 6,551,557	\$ 5,839,258
State's proportionate share of the net pension liability associated with the District	<u>3,465,051</u>	<u>3,525,996</u>
Total	<u>\$ 10,016,608</u>	<u>\$ 9,365,254</u>
District's covered - employee payroll	<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>160.85%</u>	<u>139.03%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>77%</u>
 <b>CalPERS</b>		
District's proportion of the net pension liability	<u>0.0298%</u>	<u>0.0303%</u>
District's proportionate share of the net pension liability	<u>\$ 4,397,275</u>	<u>\$ 3,443,400</u>
District's covered - employee payroll	<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>135%</u>	<u>108%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>79%</u>	<u>83%</u>

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

See accompanying note to required supplementary information.

**LAKE TAHOE COMMUNITY COLLEGE**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2016**

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<b>CalSTRS</b>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 422,035	\$ 367,178
Contributions in relation to the contractually required contribution	<u>(422,035)</u>	<u>(367,178)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered - employee payroll	 <u>\$ 3,917,132</u>	 <u>\$ 4,073,148</u>
 Contributions as a percentage of covered - employee payroll	 <u>10.77%</u>	 <u>9.01%</u>
 <b>CalPERS</b>		
Contractually required contribution	\$ 426,730	\$ 364,323
Contributions in relation to the contractually required contribution	<u>(426,730)</u>	<u>(364,323)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered - employee payroll	 <u>\$ 3,603,774</u>	 <u>\$ 3,265,298</u>
 Contributions as a percentage of covered - employee payroll	 <u>11.8%</u>	 <u>11.2%</u>

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

See accompanying note to required supplementary information.

# LAKE TAHOE COMMUNITY COLLEGE

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016

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### *NOTE 1 - PURPOSE OF SCHEDULES*

#### **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.

#### **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.

#### **Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuation for either CalSTRS or CalPERS.

#### **Changes in Assumptions**

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

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***SUPPLEMENTARY INFORMATION***

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# LAKE TAHOE COMMUNITY COLLEGE

## DISTRICT ORGANIZATION JUNE 30, 2016

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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>
Kerry S. David	President	December 2018
Frederick Wenck, Jr., D.D.S	Clerk	December 2016
Karen Borges	Trustee	December 2016
Michelle Sweeney	Trustee	December 2018
Jeff Cowen	Trustee	December 2018
Victor Reynosa	Student Trustee	June 2017

### ADMINISTRATION

Kindred Murillo, Ed.D.	President/Superintendent
Jeff DeFranco	Vice President, Administrative Services
Michelle Risdon, Ph. D.	Vice President of Instruction
Michelle Sower	Dean of Instruction
Virginia Berry, Ph.D.	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, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>STUDENT FINANCIAL AID CLUSTER</b>			
Federal Pell Grant Programs (PELL)	84.063	[1]	\$ 1,766,794
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	[1]	33,781
Federal College Work Study (FWS)	84.033	[1]	42,707
Total Student Financial Aid Cluster			<u>1,843,282</u>
<b>PASS THROUGH FUNDS</b>			
Career Technical Education Act - Title IC	84.048	03303	95,100
Career Technical Education Act - Basic Grants To States (Perkins IV)	84.049	[2]	45,119
Higher Education Opportunity Act Title IV - Trio Student Support Services	84.042	[2]	14,965
Higher Education Opportunity Act Title IV - Talent Search	84.044	[2]	182,546
Higher Education Opportunity Act Title IV - Upward Bound	84.047	[2]	198,482
Total U.S. Department of Education			<u>2,379,494</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
AmeriCorps State and National	94.006	[1]	<u>65,254</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>PASS THROUGH FUNDS</b>			
Child Development Training Consortium	93.575	[2]	2,750
Temporary Assistance for Needy Families (TANF)	93.558	[2]	28,183
Total U.S. Department of Health and Human Services			<u>30,933</u>
<b>U.S. DEPARTMENT OF VETERAN'S AFFAIRS</b>			
Vocational and Educational Counseling for Service Members and Veterans	64.125	[1]	<u>5,972</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>PASS THROUGH FUNDS</b>			
Child and Adult Care Food Program	10.558	03628	13,319
Forest Reserve	10.665	[2]	40,798
Total U.S. Department of Agriculture			<u>54,117</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,535,770</u></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.

**LAKE TAHOE COMMUNITY COLLEGE**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

Program	Program Entitlements			Program Revenues				Program Expenditures
	Current Year	Prior Year /Adjustments	Total Entitlement	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
<b>GENERAL FUND</b>								
AB 1725 Staff Diversity	\$ 3,380	\$ -	\$ 3,380	\$ 3,380	\$ -	\$ -	\$ 3,380	\$ 3,380
AB 86 Adult Education	825,000		825,000	825,000		362,280	462,720	462,720
Basic Skills	90,000	2,606	92,606	92,606	-	31,083	61,523	61,553
BFAP Administration	167,339		167,339	167,339	-	-	167,339	167,339
CalGrant B & C			-	105,687	3,036	-	108,723	108,723
California State Pre-school Program	48,764		48,764	28,694	-	10,081	18,613	18,613
Calworks	101,589		101,589	101,589	-	14,692	86,897	86,897
Career Tech Enhancement Fund	44,030	26	44,056	44,056	-	-	44,056	44,056
Child Care Food Program			-	558	-	-	558	558
Child Development Training	3,200	175	3,375	3,375	-	204	3,171	3,171
Cooperative Agencies Resources for Education	30,468		30,468	30,468	-	-	30,468	30,468
Commercial Sexual Exploitation of Children	6,250		6,250	-	6,250	-	6,250	6,250
Deaf & Hard of Hearing	426		426	426	-	-	426	426
Disabled Student Programs & Services	193,616	13	193,629	193,629	-	-	193,629	193,617
DOE State Block Grant - CCTR	57,481		57,481	47,024	3,036	-	50,060	50,060
Enrollment Fee Waiver Admin	24,375		24,375	24,375	-	-	24,375	24,375
Extended Opportunity Programs & Services	172,487		172,487	172,487	-	-	172,487	172,487
Full Time Student Success Grant	36,102		36,102	36,102	1,000	3,902	33,200	33,200
Foster and Kinship Care	111,434		111,434	78,770	32,664	638	110,796	110,796
High 5 for Quality Grant	2,247	202	2,449	2,449	-	-	2,449	2,449
Instructional Equipment Materials Grant	112,470		112,470	112,470	-	53,431	59,039	59,039
Lottery (restricted)	53,995		53,995	234,504	1,201	-	235,705	235,705
Lottery (unrestricted)	235,705		235,705	53,751	244	-	53,995	13,995
Part-Time Faculty Compensation	85,909		85,909	85,909	-	-	85,909	85,909
Part-Time Faculty Office Hours	663		663	663	-	-	663	663
Prop 39 Energy Efficiency	49,657		49,657	49,657	-	22,374	27,283	27,283
SB 1070 (Senate Bill) Career Technical Education Pathways Program	15,100	8,147	23,247	23,247	-	13,276	9,971	9,971
Scheduled Maintenance	112,470	58,342	170,812	170,811	-	59,455	111,356	111,356
Student Equity	250,000	112,666	362,666	319,666	-	40,721	278,945	278,945
Student Equity Supplemental	39,000		39,000	82,000	-	23,698	58,302	58,302
Student Success and Support Program	664,078	165,717	829,795	829,795	-	258,095	571,700	571,700
Subtotal	<u>\$ 3,537,235</u>	<u>\$ 347,894</u>	<u>\$ 3,885,129</u>	<u>\$ 3,920,487</u>	<u>\$ 47,431</u>	<u>\$ 893,930</u>	<u>\$ 3,073,988</u>	<u>\$ 3,034,006</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, 2016**

<b>CATEGORIES</b>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
<b>A. Summer Intersession (Summer 2015 only)</b>			
1. Noncredit**	2.03	-	2.03
2. Credit	164.01	-	164.01
<b>B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)</b>			
1. Noncredit**	-	-	-
2. Credit	-	-	-
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	513.10	-	513.10
(b) Daily Census Contact Hours	57.74	-	57.74
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	56.48	-	56.48
(b) Credit	456.00	-	456.00
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	295.11	-	295.11
(b) Daily Census Contact Hours	150.55	-	150.55
(c) Noncredit Independent Study/Distance Education Courses		-	-
<b>D. Total FTES</b>	<u>1,695.02</u>	<u>-</u>	<u>1,695.02</u>
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>	218.46	-	218.46
<b>H. Basic Skills Courses and Immigrant Education</b>			
1. Noncredit**	50.93	-	50.93
2. Credit	76.50	-	76.50
<b><u>CCFS-320 Addendum</u></b>			
CDCP Noncredit FTES	23.14	-	23.14

\*\* 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, 2016**

	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
<b><u>Academic Salaries</u></b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 2,043,872	\$ -	\$ 2,043,872	\$ 2,043,872	\$ -	\$ 2,043,872
Other	1300	1,821,352	-	1,821,352	1,821,353	-	1,821,353
<b>Total Instructional Salaries</b>		<b>3,865,224</b>	<b>-</b>	<b>3,865,224</b>	<b>3,865,225</b>	<b>-</b>	<b>3,865,225</b>
<b>Noninstructional Salaries</b>							
Contract or Regular	1200	-	-	-	594,232	-	594,232
Other	1400	-	-	-	156,576	-	156,576
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>750,808</b>	<b>-</b>	<b>750,808</b>
<b>Total Academic Salaries</b>		<b>3,865,224</b>	<b>-</b>	<b>3,865,224</b>	<b>4,616,033</b>	<b>-</b>	<b>4,616,033</b>
<b><u>Classified Salaries</u></b>							
<b>Noninstructional Salaries</b>							
Regular Status	2100	-	-	-	1,857,889	-	1,857,889
Other	2300	-	-	-	266,693	-	266,693
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2,124,582</b>	<b>-</b>	<b>2,124,582</b>
<b>Instructional Aides</b>							
Regular Status	2200	113,196	-	113,196	113,196	-	113,196
Other	2400	156,980	-	156,980	156,980	-	156,980
<b>Total Instructional Aides</b>		<b>270,176</b>	<b>-</b>	<b>270,176</b>	<b>270,176</b>	<b>-</b>	<b>270,176</b>
<b>Total Classified Salaries</b>		<b>270,176</b>	<b>-</b>	<b>270,176</b>	<b>2,394,758</b>	<b>-</b>	<b>2,394,758</b>
Employee Benefits	3000	1,347,993	-	1,347,993	2,652,751	-	2,652,751
Supplies and Material	4000	-	-	-	274,154	-	274,154
Other Operating Expenses	5000	596,227	-	596,227	2,359,232	-	2,359,232
Equipment Replacement	6420	-	-	-	832	-	832
<b>Total Expenditures Prior to Exclusions</b>		<b>6,079,620</b>	<b>-</b>	<b>6,079,620</b>	<b>12,297,760</b>	<b>-</b>	<b>12,297,760</b>

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, 2016**

	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
<b><u>Exclusions</u></b>							
<b>Activities to Exclude</b>							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ 31,453	\$ -	\$ 31,453
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
<b>Objects to Exclude</b>							
Rents and Leases	5060	-	-	-	14,923	-	14,923
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	85,635	-	85,635
Classified Salaries	2000	-	-	-	83,058	-	83,058
Employee Benefits	3000	-	-	-	67,012	-	67,012
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
<b>Total Supplies and Materials</b>		-	-	-	-	-	-

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, 2016**

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6400	-	-	-	-	-	-
<b>Total Equipment</b>		-	-	-	-	-	-
<b>Total Capital Outlay</b>							
Other Outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		-	-	-	282,081	-	282,081
<b>Total for ECS 84362, 50 Percent Law</b>		\$ 6,079,620	\$ -	\$ 6,079,620	\$ 12,015,679	\$ -	\$ 12,015,679
<b>Percent of CEE (Instructional Salary Cost/Total CEE)</b>		50.60%		50.60%	100.00%		100.00%
<b>50% of Current Expense of Education</b>					\$ 6,007,840		\$ 6,007,840

See accompanying note to supplementary information.

**LAKE TAHOE COMMUNITY COLLEGE**

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT  
FOR THE YEAR ENDED JUNE 30, 2016**

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<b>Activity Classification</b>	<b>Object Code</b>				<b>Unrestricted</b>
EPA Proceeds:	8630				\$ 2,168,137
<b>Activity Classification</b>	<b>Activity Code</b>	<b>Salaries and Benefits (Obj 1000-3000)</b>	<b>Operating Expenses (Obj 4000-5000)</b>	<b>Capital Outlay (Obj 6000)</b>	<b>Total</b>
Instructional Activities	1000-5900	\$ 2,168,137			\$ 2,168,137
<b>Total Expenditures for EPA</b>		\$ 2,168,137	-	-	\$ 2,168,137
<b>Revenues Less Expenditures</b>					\$ -

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, 2016**

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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, 2016**

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**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:		\$ 2,513,961
Federal Pell Grant Programs (PELL)	84.063	(2,305)
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	(1,689)
Federal College Work Study (FWS)	84.033	(1,708)
Forest Reserve	10.665	40,798
Child Development Training Consortium	93.575	3,171
Child and Adult Care Food Program	10.558	13,319
Trio Student Support Services	84.042	(25,927)
Other		(3,850)
Total Expenditures of Federal Awards		<u>\$ 2,535,770</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, 2016**

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### **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.

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***ADDITIONAL SUPPLEMENTAL  
INFORMATION***

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**LAKE TAHOE COMMUNITY COLLEGE**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2016**

	General Unrestricted	General Restricted	Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Student Financial Aid	Total Governmental Fund (Memorandum Only)
<b>ASSETS</b>								
Cash and cash equivalents	\$ 3,099,282	\$ 1,124,707	\$ 46,250	\$ 1,751,495	\$ 443,359	\$ 2,256,062	\$ 8,542	\$ 8,729,697
Investments	-	-	-	-	-	13,045,000	-	13,045,000
Accounts receivable	116,626	268,279	10,421	-	207,642	18,337	4,076	625,381
Due from other funds	76,830	77,578	16	1,274,385	149	-	9,102	1,438,060
Prepaid expenses	8,312	-	-	-	-	14,005	-	22,317
<b>Total Assets</b>	<b>\$ 3,301,050</b>	<b>\$ 1,470,564</b>	<b>\$ 56,687</b>	<b>\$ 3,025,880</b>	<b>\$ 651,150</b>	<b>\$ 15,333,404</b>	<b>\$ 21,720</b>	<b>\$ 23,860,455</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable	\$ 210,794	\$ 68,003	\$ 20,631	\$ -	\$ 25,894	\$ 329,905	\$ 7,495	\$ 662,722
Accrued payroll and related liabilities	462,047	63,787	12,473	-	-	1,603	3,993	543,903
Due to other funds	81,401	73,597	-	-	-	1,274,385	-	1,429,383
Other current liabilities	-	-	-	-	-	-	5,197	5,197
Unearned revenue	173,919	1,140,909	-	-	81,830	-	-	1,396,658
<b>Total Liabilities</b>	<b>928,161</b>	<b>1,346,296</b>	<b>33,104</b>	<b>-</b>	<b>107,724</b>	<b>1,605,893</b>	<b>16,685</b>	<b>4,037,863</b>
<b>FUND BALANCES</b>								
Nonspendable	8,712	-	-	-	-	-	-	8,712
Restricted	-	124,268	23,583	3,025,880	543,426	13,727,511	-	17,444,668
Committed	1,568,046	-	-	-	-	-	-	1,568,046
Assigned	250,000	-	-	-	-	-	-	250,000
Unassigned	546,131	-	-	-	-	-	5,035	551,166
<b>Total Fund Balances</b>	<b>2,372,889</b>	<b>124,268</b>	<b>23,583</b>	<b>3,025,880</b>	<b>543,426</b>	<b>13,727,511</b>	<b>5,035</b>	<b>19,822,592</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,301,050</b>	<b>\$ 1,470,564</b>	<b>\$ 56,687</b>	<b>\$ 3,025,880</b>	<b>\$ 651,150</b>	<b>\$ 15,333,404</b>	<b>\$ 21,720</b>	<b>\$ 23,860,455</b>

**LAKE TAHOE COMMUNITY COLLEGE**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	General Unrestricted	General Restricted	Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Student Financial Aid	Total Governmental Fund (Memorandum Only)
<b>REVENUES</b>								
Federal revenues	\$ 46,788	\$ 579,724	\$ 13,319	\$ -	\$ -	\$ -	\$ 1,874,130	\$ 2,513,961
State revenues	10,602,842	2,316,922	71,680	6,906	138,639	-	156,923	13,293,912
Local revenues	5,632,984	15,603	358,250	2,274,214	388,387	63,939	2,738	8,736,115
<b>Total Revenues</b>	<b>16,282,614</b>	<b>2,912,249</b>	<b>443,249</b>	<b>2,281,120</b>	<b>527,026</b>	<b>63,939</b>	<b>2,033,791</b>	<b>24,543,988</b>
<b>EXPENDITURES</b>								
Current Expenditures								
Academic salaries	5,009,807	796,691	2,196	-	-	-	-	5,808,694
Classified salaries	3,047,774	706,658	324,629	-	-	92,441	-	4,171,502
Employee benefits	3,043,575	487,006	87,324	-	-	27,951	-	3,645,856
Books and supplies	351,413	128,026	25,213	-	-	1,691	-	506,343
Services and operating expenditures	2,798,302	493,821	30,172	76,000	21,738	605,871	-	4,025,904
Student financial aid	2,738	85,459	-	-	-	-	2,033,791	2,121,988
Capital outlay	237,032	143,024	641	-	440,055	2,688,730	-	3,509,482
Debt service - principal	-	-	-	90,000	-	-	-	90,000
Debt service - interest and other	-	-	-	363,625	-	-	-	363,625
<b>Total Expenditures</b>	<b>14,490,641</b>	<b>2,840,685</b>	<b>470,175</b>	<b>529,625</b>	<b>461,793</b>	<b>3,416,684</b>	<b>2,033,791</b>	<b>24,243,394</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,791,973</b>	<b>71,564</b>	<b>(26,926)</b>	<b>1,751,495</b>	<b>65,233</b>	<b>(3,352,745)</b>	<b>-</b>	<b>300,594</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in	24,923	-	15,000	-	129,000	-	-	168,923
Operating transfers out	(1,189,815)	-	-	-	-	-	-	(1,189,815)
Other sources	-	-	-	1,274,385	-	17,725,615	-	19,000,000
<b>Total Other Financing Sources (Uses)</b>	<b>(1,164,892)</b>	<b>-</b>	<b>15,000</b>	<b>1,274,385</b>	<b>129,000</b>	<b>17,725,615</b>	<b>-</b>	<b>17,979,108</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>								
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>1,745,808</b>	<b>52,704</b>	<b>35,509</b>	<b>-</b>	<b>349,193</b>	<b>(645,359)</b>	<b>5,035</b>	<b>1,542,890</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 2,372,889</b>	<b>\$ 124,268</b>	<b>\$ 23,583</b>	<b>\$ 3,025,880</b>	<b>\$ 543,426</b>	<b>\$ 13,727,511</b>	<b>\$ 5,035</b>	<b>\$ 19,822,592</b>

**LAKE TAHOE COMMUNITY COLLEGE**

**BALANCE SHEET- PROPRIETARY FUNDS  
JUNE 30, 2016**

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	<b>Internal Service Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 595,764
<b>Total Assets</b>	<u>595,764</u>
 <b>LIABILITIES AND FUND EQUITY</b>	
<b>Liabilities</b>	
Accounts payable	201,352
<b>Total Liabilities</b>	<u>201,352</u>
 <b>FUND EQUITY</b>	
Retained earnings	394,412
<b>Total Liabilities and         Fund Equity</b>	<u>\$ 595,764</u>

**LAKE TAHOE COMMUNITY COLLEGE**

**STATEMENT OF REVENUES, EXPENSES AND RETAINED EARNINGS -  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<b>Internal Service Funds</b>
	<u>                    </u>
<b>OPERATING REVENUES</b>	
Sales revenues	\$ <u>          -</u>
<b>OPERATING EXPENSES</b>	
Employee benefits	478,266
Services and other operating expenditures	<u>135,190</u>
<b>Total Operating Expenses</b>	<u>613,456</u>
 <b>Operating Income (Loss)</b>	 <u>(613,456)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	608
Operating transfers in	<u>856,174</u>
<b>Total Nonoperating         Revenues (Expenses)</b>	 <u>856,782</u>
<b>NET INCOME (LOSS)</b>	243,326
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<u>151,086</u>
<b>RETAINED EARNINGS, END OF YEAR</b>	<u><u>\$ 394,412</u></u>

**LAKE TAHOE COMMUNITY COLLEGE**

**CASH FLOW STATEMENT - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash payments to employees for services	\$ (288,818)
Cash payments to suppliers for goods and services	(97,958)
Net Cash Provided (Used) for Operating Activities	<u>(386,776)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash received from assessments made to other funds	797,862
Net Cash Provided (Used) from Noncapital Financing Activities	<u>797,862</u>
Net increase in cash and cash equivalents	411,086
Cash and cash equivalents - Beginning	184,678
Cash and cash equivalents - Ending	<u><u>\$ 595,764</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ (613,456)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Accrued liabilities	226,680
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (386,776)</u></u>

**LAKE TAHOE COMMUNITY COLLEGE**

**BALANCE SHEET – FIDUCIARY FUNDS  
JUNE 30, 2016**

	Associated Students Trust	Student Representation Fee	Scholarship and Loan	Post Employment Benefits Trust	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 9,851	\$ 4,803	\$ 2,205	\$ 177,040	\$ 193,899
Investments	-	-	-	336,628	336,628
Due from other funds	-	2,776	-	-	2,776
<b>Total Assets</b>	<u>\$ 9,851</u>	<u>\$ 7,579</u>	<u>\$ 2,205</u>	<u>\$ 513,668</u>	<u>\$ 533,303</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 47	\$ -	\$ -	\$ 47
Due to student groups	9,851	-	-	-	9,851
<b>Total Liabilities</b>	<u>9,851</u>	<u>47</u>	<u>-</u>	<u>-</u>	<u>9,898</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	513,668	513,668
Restricted	-	7,532	-	-	7,532
Uncommitted	-	-	2,205	-	2,205
<b>Total Fund Balances</b>	<u>-</u>	<u>7,532</u>	<u>2,205</u>	<u>513,668</u>	<u>523,405</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 9,851</u>	<u>\$ 7,579</u>	<u>\$ 2,205</u>	<u>\$ 513,668</u>	<u>\$ 533,303</u>

**LAKE TAHOE COMMUNITY COLLEGE**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE –  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Student Representation Fee	Scholarship and Loan	Post Employment Benefits Trust	Total
<b>REVENUES</b>				
Federal revenues	\$ -	\$ -	\$ -	\$ -
State revenues	-	-	-	-
Local revenues	11,727	11,952	(2,691)	20,988
<b>Total Revenues</b>	<u>11,727</u>	<u>11,952</u>	<u>(2,691)</u>	<u>20,988</u>
<b>EXPENDITURES</b>				
Current Expenditures				
Books and supplies	106	-	-	106
Services and operating expenditures	4,089	-	377	4,466
<b>Total Expenditures</b>	<u>4,195</u>	<u>-</u>	<u>377</u>	<u>4,572</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>7,532</u>	<u>11,952</u>	<u>(3,068)</u>	<u>16,416</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	176,997	176,997
Other uses	-	(11,842)	-	(11,842)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(11,842)</u>	<u>176,997</u>	<u>165,155</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>				
	7,532	110	173,929	181,571
<b>FUND BALANCES, BEGINNING OF YEAR</b>				
	-	2,095	339,739	341,834
<b>FUND BALANCES, END OF YEAR</b>				
	<u>\$ 7,532</u>	<u>\$ 2,205</u>	<u>\$ 513,668</u>	<u>\$ 523,405</u>

**LAKE TAHOE COMMUNITY COLLEGE**

**RECONCILIATION OF STATEMENT OF NET POSITION TO BALANCE SHEET  
JUNE 30, 2016**

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

**Total Fund Balance:**

General Funds	\$ 2,497,157	
Special Revenue Funds	23,583	
Capital Project Funds	14,270,937	
Debt Service Funds	3,025,880	
Internal Service Funds	394,412	
<b>Total Fund Balance - All District Funds</b>	<b>20,211,969</b>	<b>\$ 20,211,969</b>

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

The cost of capital assets is	48,053,128	
Accumulated depreciation is	(18,280,281)	29,772,847

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

3,209,093

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.

139,385

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.

(314,943)

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.

(2,536,303)

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	(19,000,000)	
Bond premiums	(635,628)	
Early retirement	(197,958)	
Capital leases payable	(4,119)	
Load banking	(34,071)	
Compensated absences	(343,189)	
Net pension liability	(10,948,832)	
Other post employment benefits	3,562	(31,160,235)
<b>Total Net Position</b>	<b>19,321,813</b>	<b>\$ 19,321,813</b>

# LAKE TAHOE COMMUNITY COLLEGE

## NOTES TO ADDITIONAL SUPPLEMENTAL INFORMATION JUNE 30, 2016

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### **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, 2016

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**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, 2016

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### **Fund Balances - Governmental Funds**

As of June 30, 2016, 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.

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***INDEPENDENT AUDITOR'S REPORTS***

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**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, 2016, 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 6, 2016.

**Emphasis of Matter - Change in Accounting Principles**

As discussed in Note 2 to the financial statements, in 2016, the District adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*; 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*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. 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*.

We noted certain matters that we reported to management of Lake Tahoe Community College District in a separate letter dated December 6, 2016.

## **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.

*Vavrinek, Trine, Day & Co LLP*

Pleasanton, California  
December 6, 2016



**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, 2016. 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, 2016.

## 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 6, 2016



## 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 2015 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2016.

### 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 2015.

### 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 2015. 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.

### 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, 2016, except as described as items 2016-001 and 2016-002 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 6, 2016

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**LAKE TAHOE COMMUNITY COLLEGE**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**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:	<u>Unmodified</u>
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**LAKE TAHOE COMMUNITY COLLEGE**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2016**

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None noted.

**LAKE TAHOE COMMUNITY COLLEGE**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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None noted.

# LAKE TAHOE COMMUNITY COLLEGE

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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

### 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.

# LAKE TAHOE COMMUNITY COLLEGE

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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### 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.

**LAKE TAHOE COMMUNITY COLLEGE**

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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None reported.