Lake Tahoe Community College District

Annual Financial Report

June 30, 2018

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component unit (Lake Tahoe Community College Foundation), and the aggregate remaining fund information of Lake Tahoe Community College District (the District) as of and for the year ended June 30, 2018, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2017-2018 *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 opinions.

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Opinions

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Changes in the District's Net OPEB Liability and Related Ratios, the Schedule of District Contributions for OPEB, the Schedule of OPEB Investment Returns, 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 Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 5, 2018

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, 2018, including comparative information for the year ended June 30, 2017. The intent of the "Management's Discussion and Analysis" is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial standing, this analysis should be read in conjunction with the entire Independent Auditor's Report, particularly the District's financial statements beginning on page 15, and the notes to the basic financial statements beginning on page 24.

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 2017-18 State Budget Act was adopted on June 27, 2017. This state budget reflects an economy that has expanded for eight consecutive years and as in the previous year continues to prepare for a recession in the future. This is reinforced by the limiting of new ongoing spending obligations and increasing the state's rainy day fund. The COLA for FY17-18 is 1.56%. There is funding in the form of one-time allocation for instructional equipment and scheduled maintenance, however, it is lower when comparted to FY16-17. Also included in the budget was a slight increase to the base allocation from the state, which includes an increase to the marginal FTES funding rate to $5,151 per FTES. The increase is intended to help partially offset the increases to PERS and STRS.

- The Board of Trustees' designated contingency reserve was designated in the Adopted Budget at 14.94% of budgeted unrestricted appropriations ($2,372,887). At June 30, 2018, the ending unrestricted fund balance was $2,422,891 or 15.36% of 2017-18 unrestricted appropriations. In addition to the General Fund Reserves, LTCCD held reserves in other funds for the following purposes:

- Child Development Center (Fund 33) - $8,331 was assigned for unanticipated declining revenue as well as unexpected expenses.
- Capital Projects Fund (Fund 41) - $389,950 was assigned to reserves for capital projects.
- Capital Project Fund for University Center (Fund 44) - $200,000 was assigned to reserves for deferred maintenance as required by the donation as well as an additional $20,000 for equipment replacement.
- Community Play Consortium, a JPA between Lake Tahoe Community College and the City of South Lake Tahoe (Fund 59) - $87,500 was assigned to reserves to include $10,500 for equipment replacement and $77,000 for synthetic field maintenance and replacement.
- Self-Insurance Fund (Fund 61) - $80,000 was assigned to fund the District share of property/liability claims.
- Retiree Health Benefits Fund (Fund 69) – $250,000 was assigned at June 30, 2016 with the additional reserve of $350,000 for the STRS/PERS reserve transferred from Fund 11.
- Other Post-Employment Benefits (Fund 79) - $607,873 was assigned to this reserve for retiree benefits.

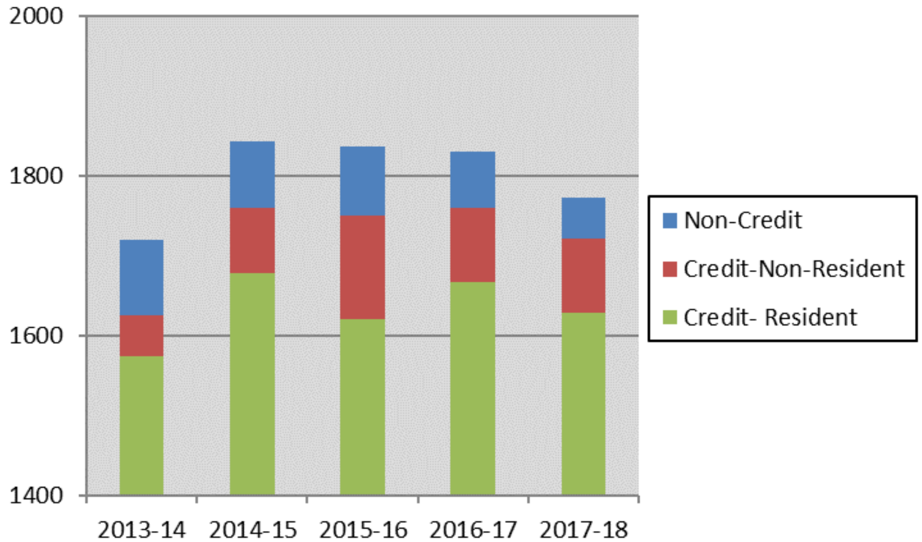
- LTCC has obtained a number of grants to support student enrollment and instruction of which many are state based. The FY17-18 restricted general fund budget continues to increase as LTCC receives money to be used for specific purposes. In previous years, increases were for the student success and support program (SSSP) and the student equity program. In FY15-16, the District was designated as the fiscal agent for the Adult Education Block Grant (AEBG), which is budgeted at $850,000 for the FY17-18 annual allocation. 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, and additional funding of $400,000 (Regional) and $205,000 (Local) for the Strong Workforce Program to improve and expand efforts for workforce, consistent with recommendations from the Workforce Task Force. Another big addition to this year's restricted funding was an apportionment of $500,000 for Guided Pathways, which supports an institution-wide approach to student success by creating structured educational experiences that support each student from point of entry to attainment of high-quality postsecondary credentials and careers. 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.

- Fiscal Year 2017-18 saw a reduction in actual full-time equivalent students (FTES) from the adopted budget projections. The FY17-18 adopted budget was based on 1,739 FTES; however, actual FTES ere 1,679 at year-end. The FTES for FY17-18 were approximately 2% greater than the actual FTES for FY16-17 which was primarily due to an increase in campus generated and dual enrollment FTES. The district has been taking a conservative approach to projecting FTES for prior years. With the implementation of the new funding formula in FY18-19, reviewing and anticipating FTES will still be required as it makes up the majority of the apportionment from the state, but now there are two additional areas for the district to monitor and plan related to equity and student success. As with the prior year, there are numerous factors in play related to dual enrollment, ISAs, and International students that will affect the ending FTES number. While challenging, the district has created a schedule that emphasizes efficiency while maintaining opportunities for students to complete their courses of study.

Financial Highlights (Continued)

The following chart summarizes the past five years of enrollment:

FTES Growth/Decline
2013/14 – 2017/18



For the fiscal year 2017-18, each non-credit FTES was funded at $3,049.82 per student and $5,071.81 for each non-credit CDCP student. Each resident credit FTES was funded at a rate of $5,198.30. In the prior year, the district received an additional 84.74 credit and 3.83 non-credit FTES adjustment due to severe weather in the Winter 2017 quarter. The final FTES for FY17-18 were 1,679.

Ancillary Programs

- The current contract with Barnes & Noble for the period of July 1, 2017 – June 30, 2019 states that the District will receive a percentage of revenues from Barnes & Noble upon the following scale:
  - 0% on all gross sales up to $500,000
  - 2% on all gross sales up to $500,000

- The Child Development Center (CDC) was designed with the idea of service for the child, the child's family, LTCC and the community. The CDC also provides training for students interested in becoming teachers of children through observation and on-site participation. The operating deficit in fiscal year 2017-18 was $66,094, which was partially covered with a $75,000 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 2017-18, this program generated $275,802 in revenue and provided over 157 workshops to approximately 2,320 participants.

Statement of Net Position

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

ASSETS	2018	2017	% Change
Current Assets			
Cash and cash equivalents	$ 21,814,591	$ 12,030,518	81.3%
Accounts receivable, net	3,509,179	1,258,882	178.8%
Prepaid expenses and security deposits	5,471	32,192	-83.0%
Total Current Assets	25,329,241	13,321,592	90.1%
Noncurrent Assets			
Capital assets, net	45,863,140	36,940,030	24.2%
Total Noncurrent Assets	45,863,140	36,940,030	24.2%
TOTAL ASSETS	$ 71,192,381	$ 50,261,622	41.6%
DEFERRED OUTFLOWS OF RESOURCES			
Current year deferred outflows	$ 5,794,808	$ 3,652,360	58.7%

- Total assets for the District increased 90.1% in fiscal year 2017/18 from the previous fiscal year.
- Cash and cash equivalents increased by 81.3% due to the issuance of bond proceeds.
- Receivables increased 178.8% year over year primarily due to increased expenditures on the University Center in the amount of $1,800,819, $408,727.49 in major water damages and $217,623.95 in winter damages, neither of which has been claimed nor reimbursed by the insurance as of yet.
- Included in capital assets are the net values of buildings, land and equipment. The capitalization threshold is $5,000 or higher based upon original acquisition cost and capital assets by nature must have a life of longer than one year. Capital assets increased 24.2% due to construction in process, and completed projects offset by annual depreciation expense.
- Deferred outflows include items related to the implementation of GASB 68 and GASB 75 *Accounting and Financial Reporting for Pensions* and *Other Postemployment Benefit Plans*, and deferred charges on refunded bonds.

Statement of Net Position (Continued)

LIABILITIES	2018	2017	% Change
Current Liabilities			
Accounts payable	$ 1,214,422	$ 275,240	341.2%
Accrued payroll and related liabilities	505,135	492,547	2.6%
Accrued interest	504,329	302,943	66.5%
Due to fiduciary funds	387,518	756	51159.0%
Unearned revenue	1,754,915	1,452,289	20.8%
Long term debt - current portion	958,754	872,538	9.9%
Total Current Liabilities	5,325,073	3,396,313	56.8%
Noncurrent Liabilities			
Compensated absences payable - noncurrent portion	447,328	420,913	6.3%
Bonds payable - noncurrent portion	31,794,047	17,311,792	83.7%
Lease obligations	27,608	33,421	100.0%
Other post employment benefits	1,147,872	970,719	100.0%
Aggregate net pension obligation	14,835,875	12,866,555	15.3%
Total Noncurrent Liabilities	48,252,730	31,603,400	52.7%
TOTAL LIABILITIES	$ 53,577,803	$ 34,999,713	53.1%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	$ 1,686,184	$ 1,366,712	23.4%

- Accounts payable amounts increased 341.2%. As with every year end it is our intent to request, receive and process invoices prior to year-end deadlines; however, this heavily relies on the vendors used. The decrease in FY17-18 is primarily due to an apportionment payable due to a higher percentage of property taxes and enrollment fees received than anticipated.
- Accrued payroll increased 2.6% due to variations in scheduling that shift the number of sections and days of wages earned in June but not paid until July 2018.
- Due to fiduciary funds increased significantly due to changes in timing of transfers of funds to the irrevocable trust to fund other post employment benefits.
- Unearned revenue increased 20.8% over last year. The largest deferrals are Strong Workforce Local (categorical) $214,793, Adult Education (categorical) $259,427 and Tuition and Assoc. Fees $328,978. 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 9.9% and the non-current portion increased by 52.7%. These changes are due primarily due to the General Obligation Bond issuance and an increase in pension liabilities for STRS and PERS and Other Postemployment Benefit Plan liabilities.
- 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 and OPEB investments as used in the actuarial studies.

Statement of Net Position (Continued)

	2018	2017	% Change
Invested in capital assets, net	$ 28,766,374	$ 20,262,218	42.0%
Restricted or reserved	3,027,844	6,792,237	-55.4%
Unrestricted	(10,071,016)	(9,506,898)	5.9%
Total Net Position	$ 21,723,202	$ 17,547,557	23.8%

- 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 GASB 68 *Accounting and Financial Reporting for Pensions* and Unfunded Other Post Employment Benefit Plan liabilities and GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.*

Statement of Revenues, Expenses and Change in Net Position

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

As reported in the statement of revenues, expenses, and changes in net position on page 14 of this report, the cost of all the District's governmental activities this year was $25,458,881. The amount funded through local taxpayers by means of property taxes and other revenue was $6,972,468; an increase of 24.1% from the previous fiscal year. Unrestricted state apportionment totaled $8,820,766, an increase of 0.7%, with no significant change from prior year.

Net tuition and fees increased 5.1% in fiscal year 2017-18 due to a mix of the increase of non-resident tuition per unit from $150 to $156 as well as the effects of the winter state FTES allowance of 88 FTES due to severe weather that resulted in reduced enrollment and course cancellations. While LTCC receive apportionment for these FTES, these students did not pay tuition or fees in Winter quarter 2017. Although total FTES declined in 2017-18, FTES served in that same year increased over 2016-17, resulting in an overall increase in tuition and fees. Federal grants awarded to the District decreased year-over-year due primarily to decreased spending for TRIO, Talent Search, and TRIO Upward Bound when compared to 2016-17. The difference for the State and Local grants is primarily due to the revenue and contributions of approximately $150,000 recognized by the Community Play Consortium JPA, and $5.1M reimbursed by the Foundation to the District for the Lisa Maloff University Center construction expenses. The primary difference for the State/Local Taxes and Other Revenue was the sale of the Series B Bonds in February 2018, resulting in approximately $443K in interest, as well as higher property and other tax funding when compared to 2016-17.

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

REVENUE SOURCE	2018	2017	% Change
OP-Net Tuition and Fees	$ 2,182,340	$ 2,076,976	5.1%
OP-Federal Grants	2,392,918	2,654,888	-9.9%
OP-State/Local Grants	10,317,685	6,274,761	64.4%
NO-Apportionment	8,820,766	8,762,939	0.7%
NO-State/Local Taxes, Other Revenue Net of Uses	6,972,468	5,620,614	24.1%

OP: Operating *NO: Non-Operating*

Total operating expenses increased approximately 0.3% from the previous fiscal year with the largest increases occurring in salaries and benefits primarily due to OPEB reporting and in STRS and PERS liabilities associated with pension plans. The non-operating interest expense reflects the interest cost of the general obligation bonds.

The following table summarizes expenditures by expense category.

EXPENSE CATEGORY	2018	2017	% Change
OP-Salaries	$ 10,825,196	$ 10,592,979	2.2%
OP-Benefits	4,697,888	4,473,467	5.0%
OP-Supplies/Other Operating	6,185,772	6,290,359	-1.7%
OP-Payments to Students	1,937,881	1,922,281	0.8%
OP-Depreciation	1,663,761	1,567,623	6.1%
NO-Interest Expense	907,673	1,689,715	-46.3%
NO-Other	387,518	-	100%

OP: Operating *NO: Non-Operating*

Statement of Cash Flows

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

Cash (used in) provided by:	2018	2017	% Change
Operating activities	$ (9,218,495)	$ (14,344,286)	-35.7%
Non-capital financing activities	13,179,975	13,606,754	-3.1%
Capital and related financing activities	5,822,593	(9,632,739)	-160.4%
Net increase (decrease) in cash and cash equivalents	9,784,073	(10,370,271)	-194.3%
Cash and cash equivalents- Beginning of fiscal year	12,030,518	22,400,789	-46.3%
Cash and cash equivalents - End of fiscal year	$ 21,814,591	$ 12,030,518	81.3%

- Operating activities include tuition and fees revenues, revenues from grants, operating expenditures, and payments on behalf of the auxiliary enterprises.

- Construction projects and capital debt are reported in capital and related financing activities. The significant increase in net cash provided by capital and related financing activities is a result of issuance of the 2014 Measure F Election Series B general obligation bond.

- Investing activities include interest and capital gains on District investments.

- Overall, cash at the end of the year increased significantly due to the greatly issuance of the 2014 Measure F Election Series B general obligation bond.

Factors That May Affect the Future

The State of California adopted its 2018-19 budget as per statutory law on time for the eighth consecutive year. The budget reflects an economy that has expanded for nine 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 18-19 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. Of utmost importance is the new funding formula, which was implemented beginning in July 2018. It has 3 main components: a base allocation, a supplemental allocation and a student success allocation. The state included a three-year average on the FTES portion of the allocation to provide a sense of stability and invested additional funds into the implementation of the new formula.
2. The state budget includes approximately $725,000 to increase general operating expense funding intended to partially assist with rising PERS and STRS costs and implement the new Student Success Funding Formula (SCFF).
3. 2.71% 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 $886,985 for the annual allocation, plus approximately $260,000 in deferred revenue from FY17-18.
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 $582,064 ($249,363 regional, $332,701 local) plus approximately $214,793.01 in local deferred revenue from FY17-18.

- A major change in the funding formula in order to help students complete their degrees in a timely manner and to further eliminate achievement gaps. With input for the community college system the final outcome of the Assembly Bill 1809 (AB1809) which was signed by the governor on June 27, 2018 created the Student Centered Funding Formula (SCFF) which became effective on July 1, 2018.
    1. The SCFF has three areas of allocation that include base, supplemental and student success allocations. The base allocation includes measures related to the size of the district, number of campuses, rural location and the number of students served. The supplemental allocation accounts for disadvantaged students. The student success allocation is calculated based on the outcomes achieved that rea related to the Vision for Success with additional funding provided for outcomes of students qualifying for the supplemental allocation. Due to the swift change of

the formula and the vastly different metrics, a phase-in of the funding formula over three years has been established along with a hold harmless clause.

2. The base allocation of the SCFF is comprised of the basic allocation and per FTES funding. In FY17-18, community colleges received 100% of their funding based on the base allocation model. In FY18-19, the rates change to bring the base allocation down to 70% of the total apportionment in contrast to the previous 100% model. This amount reduces over the next two years to be 65% in FY19-20 and 60% in FY 20-21.
3. The funding for FTES has changed with the SCFF. Credit FTES are now based on a three-year average, including the current year, the prior year, and 2 years prior. The three-year average is designed to provide stability from year-to-year swings in enrollment. Note that special populations to include dual-enrollment and inmates in Correctional Facilities are excluded from this average. These FTES in particular funded at a higher rate to ensure they continue to be serviced across the state. In additional, are not eligible for the supplemental or student success portions of the SCFF.

Factors That May Affect the Future (Continued)

- 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 2017-18. In addition, the District established a new Other Post Retirement Benefits Trust Fund (OPEB), Fund 79, in 2013-14 and transferred $387,518 in the current year to this fund, which is equal to the OPEB Expense as established by the Net OPEB Liability (NOL). The funds transferred to the OPEB trust will be invested and are permanently restricted for the purpose of providing future post-retirement benefits.

- 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 25.7% by 2024-25 and are up from 15.531% in 2017-18. Employer contributions to STRS are also projected to increase annually up to 18.1% in 2024-25 and are up from 14.43% in 2017-18.

- In recent years, the college has strategically used reserves to help offset costs while attempting to restore its FTES levels. Through additional funding and conservative spending the actual EFB was 15.32% followed with a slightly lower projected EFB of 14.74%, for FY18-19. Although the EFB seems to have gained strength and long-term projections indicate that revenue will be increase slightly by approximately 8.8% in 2018-19, there is still predictions 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 district has been conservative when anticipating FTES in the past. The new funding formula requires a new approach to planning. Reviewing and anticipating FTES will still be required in the future, as it makes up the majority of the apportionment from the state, but now there are two additional areas for the district to monitor and plan related to equity and student success. Regardless, 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 August 2015, the district executed the first bond issuance, Series A, for $19,000,000. A second issuance, Series B, was executed in February 2018 for $15,000,000. Series B will fund projects approved by the board of trustees to take place through the 2020-21 academic year. Series A of the bond allowed for the prepayment of the outstanding $1,395,000 in lease revenue bonds in 2016-17 that were used to construct the Library building. Paying down the bonds has freed up approximately $140,000 annually from the general fund that would have been used to pay the principal and interest on these bonds. Additionally, funds that would have been necessary to pay for the maintenance and repair of aging facilities will be freed up for other purposes. The modernization of the facilities will also result in significant savings in utility expenses as inefficient boilers and electrical systems are replaced with more energy efficient equipment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2018

ASSETS	
Current Assets	
Cash and cash equivalents	$ 21,814,591
Accounts receivable, net	3,509,179
Prepaid expenses and security deposits	5,471
Total Current Assets	25,329,241
Noncurrent Assets	
Nondepreciable capital assets	20,728,100
Depreciable capital assets, net of depreciation	25,135,040
Total Noncurrent Assets	45,863,140
TOTAL ASSETS	71,192,381
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	130,093
Deferred outflows of resources related to pensions	4,951,817
Deferred outflows of resources related to OPEB	712,898
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,794,808
LIABILITIES	
Current Liabilities	
Accounts payable	1,214,422
Accrued payroll and related liabilities	505,135
Interest payable	504,329
Due to fiduciary funds	387,518
Unearned revenue	1,754,915
Bonds payable - current portion	951,372
Lease obligations - current portion	7,382
Total Current Liabilities	5,325,073
Noncurrent Liabilities	
Compensated absences payable	447,328
Bonds payable - noncurrent portion	31,794,047
Lease obligations - noncurrent portion	27,608
Other postemployment benefits - noncurrent portion	1,147,872
Aggregate net pension obligation	14,835,875
Total Noncurrent Liabilities	48,252,730
TOTAL LIABILITIES	53,577,803
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	1,686,184
NET POSITION	
Net investment in capital assets	28,766,374
Restricted for:	
Debt service	1,206,848
Capital projects	1,673,806
Educational programs	125,806
Other activities	21,384
Unrestricted	(10,071,016)
TOTAL NET POSITION	$ 21,723,202

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, 2018

OPERATING REVENUES	
Student Tuition and Fees	$ 4,437,804
Less: Scholarship discount and allowance	(2,255,464)
Net tuition and fees	2,182,340
Grants and Contracts, Noncapital	
Federal	2,392,918
State	4,308,747
Local	6,008,938
Net grants and contracts, noncapital	12,710,603
TOTAL OPERATING REVENUES	14,892,943
OPERATING EXPENSES	
Salaries	10,825,196
Employee benefits	4,697,888
Supplies, materials, and other operating expenses and services	6,185,772
Student financial aid	1,937,881
Depreciation	1,663,761
TOTAL OPERATING EXPENSES	25,310,498
OPERATING LOSS	(10,417,555)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	8,820,766
Local property taxes, levied for general purposes	4,746,727
Taxes levied for other specific purposes	1,619,180
Interest expense on capital related debt	(907,673)
Investment income on capital asset-related debt, net	606,561
Transfer to fiduciary funds	(387,518)
TOTAL NONOPERATING REVENUES (EXPENSES)	14,498,043
INCOME BEFORE OTHER REVENUES AND EXPENSES	4,080,488
State revenues, capital	95,157
CHANGE IN NET POSITION	4,175,645
NET POSITION, BEGINNING OF YEAR	17,547,557
NET POSITION, END OF YEAR	$ 21,723,202

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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 2,194,419
Federal grants and contracts	2,516,610
State grants and contracts	4,421,222
Payments to vendors for supplies and services	(5,055,712)
Payments to or on behalf of employees	(15,165,230)
Payments to students for scholarships and grants	(1,937,881)
Other operating receipts (payments)	3,808,077
Net Cash Flows From Operating Activities	(9,218,495)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	8,820,766
Property taxes - nondebt related	4,746,727
Trust fund transfer	(387,518)
Net Cash Flows From Noncapital Financing Activities	13,179,975
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(10,162,341)
State revenue, capital projects	95,157
Proceeds from capital debt	15,433,627
Property taxes - related to capital debt	1,619,180
Principal paid on capital debt	(840,000)
Interest paid on capital debt	(929,591)
Interest received on capital asset-related debt	606,561
Net Cash Flows From Capital Financing Activities	5,822,593
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,784,073
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,030,518
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 21,814,591

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

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2018

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (10,417,555)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation and amortization expense	1,663,761
On behalf payments	342,357
Changes in Assets and Liabilities:	
Receivables	(2,250,297)
Accounts payable and accrued liabilities	1,487,121
Unearned revenue	302,626
Compensated absences	(26,415)
Change in deferred outflows	(2,147,094)
Change in deferred inflows	(319,472)
Pension obligation	1,969,320
OPEB obligation	177,153
Total Adjustments	1,199,060
Net Cash Flows From Operating Activities	$ (9,218,495)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 1,161,620
Local Agency Investment Fund	12,126,872
Cash in county treasury	8,526,099
Total Cash and Cash Equivalents	$ 21,814,591
NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 342,357
Board of governors fee waivers	$ 2,255,464

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

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	Retiree OPEB Trust	Trust	Agency Funds
ASSETS			
Cash and cash equivalents	$ 600	$ 15,986	$ 13,703
Investments	775,945	-	-
Due from primary government	387,518	-	-
Total Assets	1,164,063	15,986	$ 13,703
LIABILITIES			
Accounts payable	-	5,350	$ 601
Due to student groups	-	-	13,102
Total Liabilities	-	5,350	$ 13,703
NET POSITION			
Restricted	1,164,063	10,636	
Total Net Position	$ 1,164,063	$ 10,636	

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, 2018

	Retiree OPEB Trust	Trust
ADDITIONS		
Local revenues	42,395	10,809
Total Additions	$ 42,395	$ 10,809
DEDUCTIONS		
Services and operating expenditures	500	8,376
Total Deductions	500	8,376
OTHER FINANCING SOURCES (USES)		
Operating transfers in	387,518	-
Total Other Financing Sources (Uses)	387,518	-
Change in Net Position	429,413	2,433
Net Position - Beginning	734,650	8,203
Net Position - Ending	$ 1,164,063	$ 10,636

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, 2018

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 221,276
Accounts receivable	7,601
Other current assets	21,048
Total Current Assets	249,925
NONCURRENT ASSETS	
Investments	1,581,325
TOTAL ASSETS	$ 1,831,250
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 1,821,554
Deferred revenue	37,995
Total Current Liabilities	1,859,549
TOTAL LIABILITIES	1,859,549
NET ASSETS	
Unrestricted	(452,933)
Permanently restricted	424,634
Total Net Assets	(28,299)
Total Liabilities and Net Assets	$ 1,831,250

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

DISCRETELY PRESENTED COMPONENT UNIT
LAKE TAHOE COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Donations	$ 46,303	$ 2,216,612	$ -	$ 2,262,915
Special events, net	70,463	5,992	-	76,455
In-kind contribution	29,903	2,591	-	32,494
Interest and dividends, net	23,540	43,670	-	67,210
Assets released from restrictions	4,444,393	(4,444,393)	-	-
Total Revenues	4,614,602	(2,175,528)	-	2,439,074
EXPENSES				
Operating expenses	72,262	-	-	72,262
Program expenses	5,317,777	-	-	5,317,777
Fundraising expenses	43,835	-	-	43,835
Total Expenses	5,433,874	-	-	5,433,874
CHANGE IN NET ASSETS	(819,272)	(2,175,528)	-	(2,994,800)
NET ASSETS, BEGINNING OF YEAR	366,339	2,175,528	424,634	2,966,501
NET ASSETS, END OF YEAR	$ (452,933)	$ -	$ 424,634	$ (28,299)

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

DISCRETELY PRESENTED COMPONENT UNIT
LAKE TAHOE COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ (2,994,800)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities	
Unrealized gain	11,353
Changes in Assets and Liabilities	
Decrease in accounts receivable	799
Decrease in prepaid expenses	(17,260)
Increase in accounts payable	1,426,272
Increase in deferred revenues	4,938
Net Cash Flows From Operating Activities	(1,568,698)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	1,469,849
Net Cash Flows From Investing Activities	1,469,849
NET CHANGE IN CASH AND CASH EQUIVALENTS	(98,849)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	320,125
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 221,276

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

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.

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.

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, 2018, 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. The allowance was estimated at $3,478 for the year ended June 30, 2018.

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.

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 and OPEB contributions. The district reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB 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 and for OPEB 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.

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 general obligation bonds, compensated absences, banked leave, capital lease obligations pension and OPEB obligations with maturities greater than one year.

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report $3,027,844 of restricted net position.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

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.

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.

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, 2018, was $342,357 for CalSTRS. There were no state contributions to CalPERs for the fiscal year ended June 30, 2018. 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.

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

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

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

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

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* 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 District has implemented the provisions of this Statement as of June 30, 2018.

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

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

The District has implemented the provisions of this Statement as of June 30, 2018.

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

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

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

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

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

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

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

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

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

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

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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.

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, 2018, consist of the following:

Primary Government	
Cash on hand and in banks	$ 1,151,592
Cash in revolving	10,028
Investments	20,652,971
Total Deposits and Investments	$ 21,814,591

Deposits and investments of the Fiduciary Funds as of June 30, 2018, consist of the following:

Fiduciary Funds	
Cash on hand and in banks	$ 15,908
Investments	790,326
Total Deposits and Investments	$ 806,234

Interest Rate Risk

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

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

Investment Type	Fair Value	Weighted Average Maturity in Years
Money market master trust	$ 775,945	Not applicable
County Investment Pool	8,540,480	173 days
State Investment Pool	12,126,872	193 days
Total	$ 21,443,297	

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, 2018.

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, 2018, approximately $700,000 of the District's bank balance of $1,100,000 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2018:

		Fair Value Measurements Using			
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
Money market master trust	$ 775,945	$ -	$ 775,945	$ -	$ -
County Investment Pool	8,540,480	-	-	-	8,540,480
State Investment Pool	12,126,872	-	-	-	12,126,872
Total	$ 21,443,297	$ -	$ 775,945	$ -	$ 20,667,352

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

NOTE 5 - ACCOUNTS RECEIVABLE

Primary Government

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. The accounts receivable are as follows:

	Primary Government
Federal Government	
Categorical aid	$ 201,105
State Government	
Categorical aid	87,177
Lottery	186,823
Local Sources	
Student receivables	181,921
Other local sources	2,852,153
Total	$ 3,509,179

Bad debt allowance is booked quarterly and based on Student Payment Plan balances at the end of each respective quarter. A table is provided below for actual calculation percentages and methodologies.

Allowance calculation parameters:

- 10% allowance for balances 3 – 5 Quarters old
- 30% allowance for balances 6 – 8 Quarters old
- 70% allowance for balances 9 – 11 Quarters old
- 100% allowance for balances 12 Quarters old

Fiduciary Funds

Foundation

The Foundation has received a pledge for $5.8 million for the University Center building project. $4,889,000 of this pledge has been recorded and received by June 30, 2018. 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.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2018, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 1,122,059	$ 5,000	$ -	$ 1,127,059
Collections	140,000	-	-	140,000
Construction in progress	9,423,093	10,371,754	333,806	19,461,041
Total Capital Assets Not Being Depreciated	10,685,152	10,376,754	333,806	20,728,100
Capital Assets Being Depreciated				
Land improvements	1,373,706	141,217	-	1,514,923
Building improvements	2,899,650	112,739	-	3,012,389
Buildings	37,584,468	68,240	-	37,652,708
Equipment	4,244,958	221,727	-	4,466,685
Total Capital Assets Being Depreciated	46,102,782	543,923	-	46,646,705
Total Capital Assets	56,787,934	10,920,677	333,806	67,374,805
Less Accumulated Depreciation				
Land improvements	1,166,833	33,400	-	1,200,233
Building improvements	719,849	276,341	-	996,190
Buildings	14,901,748	693,271	-	15,595,019
Equipment	3,059,474	660,749	-	3,720,223
Total Accumulated Depreciation	19,847,904	1,663,761	-	21,511,665
Net Capital Assets	$ 36,940,030	$ 9,256,916	$ 333,806	$ 45,863,140

Depreciation expense for the year was $1,663,761.

Interest expense on capital related debt for the year ended June 30, 2018, was $714,462. Of this amount, $424,529 was capitalized.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government
Pell disbursements	$ 6,562
Construction	184,810
Other	1,023,050
Total	$ 1,214,422

NOTE 8 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government
Federal financial assistance	$ 326
State categorical aid	1,295,242
Enrollment fees	328,978
Other local	130,369
Total	$ 1,754,915

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, 2018, the amount owed between the primary government and the fiduciary funds was $387,518.

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 2018 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to $387,518.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2018 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions Defeased	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	$ 17,560,000	$ 15,000,000	$ 840,000	$ 31,720,000	$ 915,000
Premiums	613,710	433,627	21,918	1,025,419	36,372
Total Bonds and Notes Payable	18,173,710	15,433,627	861,918	32,745,419	951,372
Other Liabilities					
Compensated absences	380,511	20,448	-	400,959	-
Capital leases	44,041	-	9,051	34,990	7,382
Banked faculty load	40,402	5,967	-	46,369	-
Aggregate net pension liability	12,866,555	1,969,320	-	14,835,875	-
Other post employement benefits	970,719	560,801	383,648	1,147,872	-
Total Other Liabilities	14,302,228	2,556,536	392,699	16,466,065	7,382
Total Long-Term Debt	$ 32,475,938	$ 17,990,163	$ 1,254,617	$ 49,211,484	$ 958,754

Description of Debt

Payments on the general obligation bonds are paid by the Bond Interest and Redemption Fund. The capital leases are paid by the General Fund. The compensated absences, banked faculty load, other post employment benefits 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, 2018, $16,720,000 of the bonds were outstanding. The general obligations bonds mature through August 2045. Interest rates range from 2.00- 5.00 percent.

The 2014 Series B general obligation bonds lease revenue bonds were issued on February 13, 2018 in the amount of $15,000,000 to finance the capital outlay projects. At June 30, 2018, $15,000,000 of the bonds were outstanding. The general obligations bonds mature through August 2049. Interest rates range from 4.00- 5.00 percent.

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

Debt Maturity

General Obligation Bonds

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ 915,000	$ 1,239,591	$ 2,154,591
2020	620,000	1,256,894	1,876,894
2021	585,000	1,231,369	1,816,369
2022	105,000	1,215,644	1,320,644
2023	110,000	1,211,344	1,321,344
2024-2028	825,000	5,976,369	6,801,369
2029-2033	2,260,000	5,688,950	7,948,950
2034-2038	4,510,000	4,880,828	9,390,828
2039-2043	7,530,000	3,599,925	11,129,925
2044-2047	11,405,000	1,766,325	13,171,325
2048-2049	2,855,000	57,100	2,912,100
Total	$ 31,720,000	$ 28,124,339	$ 59,844,339

Compensated Absences

At June 30, 2018, the liability for compensated absences was $400,959.

Capital Leases

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

	Copiers
Balance, July 1, 2017	$ 44,041
Additions	-
Payments	(9,051)
Balance, June 30, 2018	$ 34,990

Amortization of the equipment under capital lease is included with depreciation expense.

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

Year Ending June 30,	Lease Payment
2019	11,026
2020	10,003
2021	9,662
2022	8,050
Total	38,741
Less: Amount Representing Interest	3,751
Present Value of Minimum Lease Payments	$ 34,990

Banked Faculty Load

The District calculated the total long term portion of banked faculty load as of June 30, 2018 at $46,369. The unfunded faculty banked leave is included in the entity-wide statements.

Other Postemployment Benefit Plan Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 1,147,872	$ 712,898	$ -	$ (174,706)

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the plan is vested in the District management. Management of the trustee assets is vested with the U.S. Bank.

Plan Membership

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

Inactive plan members or beneficiaries currently receiving benefit payments	14
Active plan members	93
	107

Retiree Health Benefit OPEB Trust

The Retiree Health Benefit OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the Retiree Health Benefit Funding Program Joint Powers Agency (the JPA) as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed $712,898 to the Plan, of which $148,383 was used for current premiums and $564,515 was used to fund the OPEB Trust.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, expect for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2017:

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

Concentration

The investment policy of the Plan contains no limitations on the amount that can be invested in any one issuer. As of June 30, 2017, investments in a master trust represents 100 percent of the total investment.

Rate of Return

For the year ended June 30, 2017, the annual money-weighed rate of return on investments, net of investment expense, was 7.87 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Receivable

The OPEB Plan reported receivables from long-term contracts with the District for contributions. The contribution receivable as of June 30, 2017 was $387,518.

Net OPEB Liability of the District

The District's net OPEB liability of $1,147,872was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2017, were as follows:

Total OPEB liability	$ 1,705,370
Plan fiduciary net position	557,498
District's net OPEB liability	$ 1,147,872
Plan fiduciary net position as a percentage of the total OPEB liability	33%

Actuarial Assumptions

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

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

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 6 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB lability.

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at June 30, 2016	$ 1,659,205	$ 336,627	$ 1,322,578
Service Cost	111,034	-	111,034
Interest	97,908	-	97,908
Employer Contributions	-	339,774	(339,774)
Differences between actual and expected experience	-	44,374	(44,374)
Administrative Expense	-	(500)	500
Benefit payments	(162,777)	(162,777)	-
Net change in total OPEB liability	46,165	220,871	(174,706)
Balance at June 30, 2017	$ 1,705,370	$ 557,498	$ 1,147,872

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease 5.0%	Discount Rate 6.0%	1% Increase 7.0%
Net OPEB liability	$ 1,254,220	$ 1,147,872	$ 1,051,208

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percent lower or higher than the current health care costs trend rates:

	1% Decrease 4%	Healthcare Cost Trend Rates 5%	1% Increase 6%
Net OPEB liability (asset)	$ 1,058,594	$ 1,147,872	$ 1,238,734

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

For the year ended June 30, 2018, the District recognized OPEB expense of $(174,706). At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $712,898.

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, 2018 was $14,835,875. See Note 13 for additional information.

NOTE 11 - 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
2019	$ 86,938
2020	88,242
2021	89,565
2022	90,909
2023	10,457
Thereafter	3,453,325
Total	$ 3,819,436

NOTE 12 - 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, 2018, 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

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 13 - 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, 2018, 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	$ 7,116,278	$ 1,958,433	$ 1,595,295	$ 502,617
CalPERS	7,719,597	2,993,384	90,889	167,021
Total	$ 14,835,875	$ 4,951,817	$ 1,686,184	$ 669,638

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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly 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.

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, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.21%
Required employer contribution rate	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

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, 2018, are presented above, and the District's total contributions were $613,742.

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

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

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 7,116,278
State's proportionate share of net pension liability associated with the District	4,209,930
Total	$ 11,326,208

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016 was 0.777 percent and 0.0084 percent, respectively, resulting in a net decrease in the proportionate share of 0.0007 percent.

For the year ended June 30, 2018, the District recognized pension expense of $502,617. In addition, the District recognized pension expense and revenue of $342,357 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 613,742	$ -
Net change in proportionate share of net pension	-	1,281,650
Differences between projected and actual earnings on pension plan investments	-	189,526
Differences between expected and actual experience in the measurement of the total pension liability	26,317	124,119
Changes of assumptions	1,318,374	-
Total	$ 1,958,433	$ 1,595,295

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
2019	$ (157,561)
2020	119,226
2021	17,192
2022	(168,383)
Total	$ (189,526)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (43,924)
2020	(43,924)
2021	(43,924)
2022	(43,924)
2023	(29,496)
Thereafter	144,114
Total	$ (61,078)

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute return	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed 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 (7.10 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:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 10,448,956
Current discount rate (7.10%)	$ 7,116,278
1% increase (8.10%)	$ 4,411,585

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, Safety] provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2016. This report and CalPERS audited financial information are publicly 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, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
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	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

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, 2018, are presented above, and the total District contributions were $705,000.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $7,719,597. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016 was 0.0323 percent and 0.306 percent, respectively, resulting in a net increase in the proportionate share of 0.0017 percent.

For the year ended June 30, 2018, the District recognized pension expense of $1,670,721. At June 30, 2018, 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	$ 705,000	$ -
Net change in proportionate share of net pension liability	617,209	-
Differences between projected and actual earnings on pension plan investments	267,045	-
Differences between expected and actual experience in the measurement of the total pension liability	276,561	-
Changes of assumptions	1,127,569	90,889
Total	$ 2,993,384	$ 90,889

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
2019	$ (7,235)
2020	308,112
2021	112,402
2022	(146,234)
Total	$ 267,045

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 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 747,208
2020	728,706
2021	454,536
Total	$ 1,930,450

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	49%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 11,358,001
Current discount rate (7.15%)	$ 7,719,597
1% increase (8.15%)	$ 4,701,236

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, 2018, 2017, and 2016, which amounted to $342,357, $374,982, and $299,281, respectively, (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act CalPERS. No contributions were made for CalPERS for the years ended June 30, 2018, 2017, and 2016. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

NOTE 14 - 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, 2018, the District made payments of $96,844 to the Statewide Association of Community Colleges, $1,932,912 to the Tri-County School Insurance Group, $152,410 to Protected Insurance Program for Schools and Community Colleges, and $882,728 to South Bay Regional Public Safety.

NOTE 15 - 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, 2018.

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, 2018.

Accreditation

The District maintains its accreditation by fulfilling criteria that is determined by the Accrediting Commission of Community and Junior Colleges (ACCJC). Throughout its continuous six-year review cycle, the College conducts and publishes several review instruments, including an annual report, annual fiscal report, midterm report, comprehensive institutional self-study, and an evaluation review by a team of peers. The District underwent a comprehensive review and site visit through ACCJC in October 2017. Based on the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, review of LTCC's Institutional Self Evaluation Report (ISER) and the External Evaluation Team Report prepared by the peer review team, LTCC's accreditation was reaffirmed for seven years.

Financial Condition

The District receives funding based on full-time equivalent students (FTES). District wide there were slightly fewer FTES in fiscal year 2017-18, however, it did grow in a few areas that will affect future funding. Restoration of FTES has changed with the implementation of the new Student Centered Funding Formula (SCFF) as the new formula uses a rolling three year average with a hold harmless clause that protects districts from the uncertainty of enrollments. A rolling three year average ensures reductions in enrollments are less impactful to the funding of a District and the hold harmless ensures a District receives no less than the prior's funding.

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects.

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Soccer field renovation	$ 2,406	10/31/2018
HVAC Phase 2 - south mechanical building	1,541	10/31/2018
University Center	492,872	12/31/2018
Student Commons enhancement	3,067	9/30/2018
Art Lab air quality improvements	9,634	6/30/2019
Gymnasium renovation	23,673	10/31/2018
Main parking lot/ADA improvements	6,064	10/31/2018
University Center site work	15,450	12/31/2018
Landscape improvements	16,310	6/30/2019
3 classroom renovations	41,970	3/31/2019
Learning Resource Center space renovations	9,380	6/30/2019
Early Learning Center expansion	7,800	9/30/2021
University Center parking lot renovation	17,298	10/31/2018
Mobility hub	152,838	12/31/2019
Backbone cabling and hardware (Series B)	106,559	12/31/2021
Video capture/multimedia and distance learning (Series B)	147,617	12/31/2021
Building service systems	14,991	12/31/2020
Digital phones (Series B)	16,863	12/31/2021
Building security (Series A)	2,000	12/31/2020
Total	$ 1,088,333	

REQUIRED SUPPLEMENTARY INFORMATION

LAKE TAHOE COMMUNITY COLLEGE

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
Total OPEB Liability		
Service cost	$ 111,034	$ 111,034
Interest	97,908	97,908
Benefit payments	(162,777)	(162,777)
Net changes in total OPEB liability	46,165	46,165
Total OPEB Liability - beginning	1,659,205	1,659,205
Total OPEB Liability - ending (a)	**1,705,370**	**1,705,370**
Plan fiduciary net position		
Contributions - employer	339,774	354,149
Net investment income	44,374	44,374
Administrative expense	(500)	(500)
Benefit payments	(162,777)	-
Net change in plan fiduciary net position	220,871	398,023
Plan fiduciary net position - beginning	336,627	336,628
Plan fiduciary net position - ending (b)	**557,498**	**734,651**
District's net OPEB liability - ending (a) - (b)	**$ 1,147,872**	**$ 970,719**
Plan fiduciary net position as a percentage of the total OPEB liability	**32.69%**	**43.08%**
Covered-employee payroll	6,734,675	6,734,675
District's net/total OPEB liability as a percentage of covered-employee payroll	**17%**	**14%**

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

LAKE TAHOE COMMUNITY COLLEGE

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
Actuarially determined contribution	$ 114,087	$ 114,087
Contributions in relations to the actuarially determined contribution	(339,774)	(393,325)
Contribution deficiency (excess)	$ (225,687)	$ (279,238)
Covered-employee payroll	$ 6,734,675	$ 6,734,675
Contribution as a percentage of covered-employee payroll	-5.05%	-5.84%

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

SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	**2017**
Annual moneyweighted rate of return, net of investment expense	7.8700%	5.9700%

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

LAKE TAHOE COMMUNITY COLLEGE

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

CalSTRS	2018	2017	2016	2015
District's proportion of the net pension liability	0.0077%	0.0084%	0.0097%	0.0100%
District's proportionate share of the net pension liability	$ 7,116,278	$ 6,816,412	$ 6,551,557	$ 5,839,258
State's proportionate share of the net pension liability associated with the District	4,209,930	3,880,462	3,465,051	3,525,996
Total	$11,326,208	$ 10,696,874	$ 10,016,608	$ 9,365,254
District's covered - employee payroll	$ 4,082,194	$ 4,183,057	$ 4,073,148	$ 4,199,918
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	174.32%	162.95%	160.85%	139.03%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%

CalPERS	2018	2017	2016	2015
District's proportion of the net pension liability	0.0323%	0.0306%	0.0298%	0.0303%
District's proportionate share of the net pension liability	$ 7,719,597	$ 6,050,143	$ 4,397,275	$ 3,443,400
District's covered - employee payroll	$ 4,129,676	3,660,685	3,265,298	3,183,160
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	187%	165%	135%	108%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

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

See accompanying note to required supplementary information.

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

CalSTRS	2018	2017	2016	2015
Contractually required contribution	$ 613,742	$ 538,502	$ 422,035	$ 367,178
Contributions in relation to the contractually required contribution	(613,742)	(538,502)	(422,035)	(367,178)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered - employee payroll	$4,175,990	$4,082,194	$4,183,057	$ 4,073,148
Contributions as a percentage of covered - employee payroll	-14.70%	13.19%	10.09%	9.01%

CalPERS	2018	2017	2016	2015
Contractually required contribution	$ 705,000	$ 557,038	$ 426,730	$ 364,323
Contributions in relation to the contractually required contribution	(705,000)	(557,038)	(426,730)	(364,323)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered - employee payroll	$4,477,884	$4,129,676	$3,660,685	$ 3,265,298
Contributions as a percentage of covered - employee payroll	-15.7%	13.5%	11.7%	11.2%

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

NOTE 1 - PURPOSE OF SCHEDULES

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

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Schedule of District Contributions for OPEB

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

Valuation Date: Actuarially determined contribution rates are calculated as of June 30, 2016, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75 percent
Health care cost trend rates	4.0 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	6.0 percent, net of OPEB plan investment expense, including inflation
Retirement age	Expected retirement ages of general employees were adjusted to more closely reflect actual experience
Mortality	RP-2000 Healthy Annuitant Mortality Table

Schedule of OPEB Investment Returns

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

NOTE TO REQUIRED SUPPLEMENTARY INFOMATION
JUNE 30, 2018

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.

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

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

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2018

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

MEMBER	OFFICE	TERM EXPIRES
Kerry David	President	December 2018
Jeff Cowen	Clerk	December 2018
Dr Karen Borgess	Trustee	December 2020
Nancy Dalton	Trustee	December 2020
Michelle Sweeney	Trustee	December 2018
Brian Grajeda	Student Trustee	June 2018

ADMINISTRATION

Jeff DeFranco	President/Superintendent
Russi Egan	Vice President, Administrative Services
Michelle Risdon, Ph. D.	Vice President of Instruction
Michelle Sower	Dean of Instruction
Brad Deeds	Dean of Career Technical Education and Instruction
Tracy Thomas	Interim 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, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Expenditures
U.S. DEPARTMENT OF EDUCATION			
STUDENT FINANCIAL AID CLUSTER			
Federal Pell Grant Program (PELL)	84.063	[1]	$ 1,554,468
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	[1]	42,500
Federal Work-Study Program (FWS)	84.033	[1]	23,140
Total Student Financial Aid Program Cluster			1,620,108
PASS THROUGH FUNDS			
CAREER TECHNICAL EDUCATION			
Career Technical Education Act - Basic Grants to States	84.048	03303	82,773
Career Technical Education Act - Transitions	84.049	[2]	41,577
Total Career Technical Education Program			124,350
TRIO CLUSTER			
TRIO Talent Search	84.044	[2]	207,972
TRIO Upward Bound	84.047	[2]	214,761
Total TRIO Program Cluster			422,733
Title III - Higher Education Institutional Aid	84.031A	[2]	178,569
Total U.S. Department of Education			2,345,760
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
AmeriCorps State and National	94.006	[1]	18,989
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
PASS THROUGH FUNDS			
477 Cluster			
Child Development Training Consortium	93.575	[2]	3,800
Temporary Assistance for Needy Families (TANF)	93.558	[2]	28,168
Total U.S. Department of Health and Human Services			31,968
U.S. DEPARTMENT OF VETERAN'S AFFAIRS			
Vocational and Educational Counseling for Service Members and Veterans	64.125	[1]	3,346
U.S. DEPARTMENT OF AGRICULTURE			
PASS THROUGH FUNDS			
Child and Adult Care Food Program	10.558	03628	15,850
Total Expenditures of Federal Awards			$ 2,415,913

[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, 2018

	Program Entitlements			Program Revenues				
Program	Current Year	Prior Year /Adjustments	Total Entitlement	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
AB 86 Adult Education	$ 850,318	$ 416,438	$1,266,756	$1,266,756	$ -	$ 259,427	$1,007,329	$ 1,007,329
Basic Skills	100,000	34,841	134,841	134,841	-	20,724	114,117	114,117
BFAP Administration	127,697	-	127,697	127,697	-	-	127,697	127,697
CalGrant B & C	81,670	-	81,670	83,902	-	1,116	82,786	82,786
California State Pre-school Program	30,731	-	30,731	13,719	(379)	-	13,340	13,340
Calworks	71,264	-	71,264	99,432	-	28,168	71,264	71,264
Campus Safety	12,100	-	12,100	12,100	-	12,100	-	-
CCC IEPI Grnat	10,000	-	10,000	10,000	-	-	10,000	10,000
CCTR Block Grant	2,000	-	2,000	2,000	-	-	2,000	2,000
Child Development Center	3,750	229	3,979	3,979	-	179	3,800	3,800
Comm College Completion Grant	29,000	-	29,000	29,000	-	500	28,500	28,500
Commercial Sexual Exploitation of Children	5,500	-	5,500	-	5,500	-	5,500	5,500
Cooperative Agencies Resources for Educatio	33,713	-	33,713	33,713	-	-	33,713	33,713
CSPP Block Grant	2,000	-	2,000	2,000	-	-	2,000	2,000
Disabled Student Programs & Services	201,544	-	201,544	201,565	-	-	201,565	201,565
DOE State Block Grant - CCTR	69,569	-	69,569	70,112	-	-	70,112	70,112
Enrollment Fee Waiver Admin	22,593	-	22,593	22,593	-	-	22,593	22,593
Equal Employment Opportunity	50,000	-	50,000	50,000	-	-	50,000	50,000
Extended Opportunity Programs & Services	198,332	-	198,332	198,332	-	-	198,332	198,332
Faculty Entrepreneurship	5,442	-	5,442	5,442	-	5,441	1	1
Foster and Kinship Care	122,720	-	122,720	100,032	21,090	-	121,122	121,122
Full Time Student Success Grant	34,000	7,451	41,451	41,326	-	672	40,654	40,654
Guided Pathways	125,000	-	125,000	125,000	-	124,925	75	75
High 5 for Quality Grant	-	89	89	89	-	-	89	89
Institutional Effectiveness Planning Initiative	-	97,456	97,456	97,456	-	6,296	91,160	91,160
Instructional Equipment Materials Grant	63,205	90,324	153,529	153,529	-	117,739	35,790	35,790
International Grant	3,000	3,529	6,529	6,529	-	4,260	2,269	2,269
IR Data Grant	-	40,640	40,640	40,640	-	28,947	11,693	11,693
Lottery (restricted)	108,061	57,795	165,856	72,033	95,784	97,931	69,886	69,886
Lottery (unrestricted)	287,861	-	287,861	204,452	91,039	-	295,491	295,491
Nonresident Dreamer Emergency	34,617	-	34,617	34,617	-	-	34,617	34,617
North Region	-	2,853	2,853	2,853	-	1,523	1,330	1,330
Open Education Resources	-	25,697	25,697	25,697	310	-	26,007	26,007
Part-Time Faculty Compensation	86,249	-	86,249	86,249	-	-	86,249	86,249
Part-Time Faculty Office Hours	7,745	-	7,745	7,745	-	-	7,745	7,745
Pre-Apprenticeship & OJT	500,000	-	500,000	200,000	-	169,558	30,442	30,442
Prop 39 Energy Efficiency	59,759	-	59,759	59,759	-	-	59,759	59,759
Rural Technology	45,000	-	45,000	45,000	-	45,000	-	-
Scheduled Maintenance	43,942	-	43,942	43,942	-	8,544	35,398	35,398
Self Employee in Gig & Adv	7,000	-	7,000	7,000	-	7,000	-	-
Strong Workforce	416,844	285,345	702,189	380,842	41,519	214,793	207,568	207,568
Student Equity	250,000	8,779	258,779	258,779	-	7,580	251,199	251,199
Student Hunger	3,870	-	3,870	3,870	-	3,686	184	184
Student Success and Support Program	656,410	234,316	890,726	890,726	-	117,272	773,454	773,454
Veteran Resource Center	11,861	-	11,861	11,861	-	11,861	-	-
Zero Textbook Cost Degree	167,481	-	167,481	12,208	19,137	-	31,345	31,345
Subtotal	$4,941,848	$ 1,305,782	$6,247,630	$5,279,417	$274,000	$1,295,242	$4,258,175	$ 4,258,175

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2018

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2017 only)			
1. Noncredit**	0.64	-	0.64
2. Credit	155.94	-	155.94
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit**	-	-	-
2. Credit	12.29	-	12.29
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	427.06	-	427.06
(b) Daily Census Contact Hours	29.42	-	29.42
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	48.26	-	48.26
(b) Credit	429.63	-	429.63
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	327.88	-	327.88
(b) Daily Census Contact Hours	230.80	-	230.80
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	1,661.92	-	1,661.92
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	27.16	-	27.16
2. Credit	29.60	-	29.60
CCFS-320 Addendum			
CDCP Noncredit FTES	9.87	-	9.87
Centers FTES			
1. Noncredit**	-	-	-
2. Credit	-	-	-

* Annual report certified July 19, 2018.
** 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, 2018

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 2,018,501	$ -	$ 2,018,501	$ 2,018,501	$ -	$ 2,018,501
Other	1300	1,719,606	-	1,719,606	1,726,061	-	1,726,061
Total Instructional Salaries		3,738,107	-	3,738,107	3,744,562	-	3,744,562
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	430,581	-	430,581
Other	1400	-	-	-	187,555	-	187,555
Total Noninstructional Salaries		-	-	-	618,136	-	618,136
Total Academic Salaries		3,738,107	-	3,738,107	4,362,698	-	4,362,698
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	1,771,594	-	1,771,594
Other	2300	-	-	-	348,612	-	348,612
Total Noninstructional Salaries		-	-	-	2,120,206	-	2,120,206
Instructional Aides							
Regular Status	2200	92,691	-	92,691	92,691	-	92,691
Other	2400	165,097	-	165,097	165,097	-	165,097
Total Instructional Aides		257,788	-	257,788	257,788	-	257,788
Total Classified Salaries		257,788	-	257,788	2,377,994	-	2,377,994
Employee Benefits	3000	1,436,102	-	1,436,102	2,710,113	-	2,710,113
Supplies and Material	4000	-	-	-	186,561	-	186,561
Other Operating Expenses	5000	884,392	-	884,392	2,689,088	-	2,689,088
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		6,316,389	-	6,316,389	12,326,454	-	12,326,454

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, 2018

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ -	$ -	$ -	$ -	$ -	$ -
Student Health Services Above Amount Collected	6441	-	-	-	14,457	-	14,457
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	72,622	-	72,622
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-		-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2018

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 287,861	$ -	$ 287,861
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6400	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	374,940	-	374,940
Total for ECS 84362, 50 Percent Law		$ 6,316,389	$ -	$ 6,316,389	$ 11,951,514	$ -	$ 11,951,514
Percent of CEE (Instructional Salary Cost/Total CEE)		52.85%		52.85%	100.00%		100.00%
50% of Current Expense of Education					$ 5,975,757		$ 5,975,757

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA)
EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2018

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				$ 2,000,019
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 2,000,019			$ 2,000,019
Total Expenditures for EPA		$ 2,000,019	-	-	$ 2,000,019
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

There were no adjustments requiring fund balance reconciliations between the Annual Financial and Budget Report and the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

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:		$ 2,392,918
Federal Pell Grant Program (PELL)	84.063	(2,090)
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	(2,366)
Federal Work-Study Program (FWS)	84.033	(1,514)
Forest Reserve Program	10.665	(35,496)
Vocational and Educational Counseling for Services to Members and Veterans Program	64.125	(140)
TRIO Talent Search Program	84.044	37,567
TRIO Upward Bound Program	84.047	30,106
Child and Adult Care Food Program	10.558	(3,072)
Total Expenditures of Federal Awards		$ 2,415,913

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 Annual (Actual) Attendance
(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.

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

ADDITIONAL SUPPLEMENTAL INFORMATION

LAKE TAHOE COMMUNITY COLLEGE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Unrestricted	General Restricted	Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Student Financial Aid	Total Governmental Fund (Memorandum Only)
ASSETS								
Cash and cash equivalents	$ 4,133,022	$ 1,151,246	$ (41,035)	$ 1,711,177	$ (194,142)	$ 14,658,224	$ 512	$ 21,419,004
Accounts receivable	410,390	492,791	4,811	-	1,809,346	51,402	2,452	2,771,192
Due from other funds	9,749	15,919	75,000	-	2,288,447	3,210,533	34,106	5,633,754
Prepaid expenses	4,721	750	-	-	-	-	-	5,471
Total Assets	$ 4,557,882	$ 1,660,706	$ 38,776	$ 1,711,177	$ 3,903,651	$ 17,920,159	$ 37,070	$ 29,829,421
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	$ 704,059	$ 73,654	$ 4,498	$ -	$ (1,142)	$ 184,655	$ 6,562	$ 972,286
Accrued payroll and related liabilities	393,564	84,757	12,540	-	-	6,442	21,634	518,937
Due to other funds	708,390	13,849	354	-	3,210,533	2,082,748	-	6,015,874
Other current liabilities	-	-	-	-	-	-	2,693	2,693
Unearned revenue	328,978	1,362,640	-	-	8,544	-	-	1,700,162
Total Liabilities	2,134,991	1,534,900	17,392	-	3,217,935	2,273,845	30,889	9,209,952
FUND BALANCES								
Nonspendable	4,721	-	-	-	-	-	-	4,721
Restricted	-	125,806	21,384	1,711,177	-	15,646,314	6,181	17,510,862
Committed	1,659,641	-		-	-	-	-	1,659,641
Assigned	631,903	-	-	-	685,716	-	-	1,317,619
Unassigned	126,626	-	-	-	-	-	-	126,626
Total Fund Balances	2,422,891	125,806	21,384	1,711,177	685,716	15,646,314	6,181	20,619,469
Total Liabilities and Fund Balances	$ 4,557,882	$ 1,660,706	$ 38,776	$ 1,711,177	$ 3,903,651	$ 17,920,159	$ 37,070	$ 29,829,421

LAKE TAHOE COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Unrestricted	General Restricted	Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Student Financial Aid	Total Governmental Fund (Memorandum Only)
REVENUES								
Federal revenues	$ 41,606	$ 709,287	$ 18,922	$ -	$ -	$ -	$ 1,623,103	$ 2,392,918
State revenues	9,706,661	3,135,092	87,318	-	95,157	-	200,442	13,224,670
Local revenues	6,009,796	341,023	356,039	2,069,197	5,252,271	119,922	5,902	14,154,150
Total Revenues	15,758,063	4,185,402	462,279	2,069,197	5,347,428	119,922	1,829,447	29,771,738
EXPENDITURES								
Current Expenditures								
Academic salaries	4,833,417	998,398	-	-	-	-	-	5,831,815
Classified salaries	3,170,528	1,002,645	357,754	-	15,511	240,849	-	4,787,287
Employee benefits	3,222,301	738,787	113,804	-	2,851	98,417	-	4,176,160
Books and supplies	288,146	221,867	23,480	-	-	1,232	-	534,725
Services and operating expenditures	3,262,013	1,058,120	30,765	58,570	1,468	365,053	40	4,776,029
Student financial aid	9,426	99,009	-	-	-	-	1,829,446	1,937,881
Capital outlay	152,592	162,568	2,569	-	5,419,409	4,612,888	-	10,350,026
Debt service - principal	-	-	-	840,000	-	-	-	840,000
Debt service - interest and other	-	-	-	714,462	-	-	-	714,462
Total Expenditures	14,938,423	4,281,394	528,372	1,613,032	5,439,239	5,318,439	1,829,486	33,948,385
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	819,640	(95,992)	(66,093)	456,165	(91,811)	(5,198,517)	(39)	(4,176,647)
OTHER FINANCING SOURCES (USES)								
Operating transfers in	61,735	-	75,000	-	89,000	-	-	225,735
Operating transfers out	(831,371)	-	-	-	-	-	-	(831,371)
Other sources	-	-	-	-	-	15,000,000	-	15,000,000
Total Other Financing Sources (Uses)	(769,636)	-	75,000	-	89,000	15,000,000	-	14,394,364
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	50,004	(95,992)	8,907	456,165	(2,811)	9,801,483	(39)	10,217,717
FUND BALANCES, BEGINNING OF YEAR	2,372,887	221,798	12,477	1,255,012	688,527	5,844,831	6,220	10,401,752
FUND BALANCES, END OF YEAR	$ 2,422,891	$ 125,806	$ 21,384	$ 1,711,177	$ 685,716	$ 15,646,314	$ 6,181	$ 20,619,469

LAKE TAHOE COMMUNITY COLLEGE

BALANCE SHEET- PROPRIETARY FUNDS
JUNE 30, 2018

	Internal Service Funds
ASSETS	
Cash and cash equivalents	$ 316,696
Accounts receivable	625,832
Total Assets	942,528
LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts payable	183,340
FUND EQUITY	
Retained earnings	759,188
Total Liabilities and Fund Equity	$ 942,528

LAKE TAHOE COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES AND RETAINED EARNINGS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Internal Service Funds
OPERATING REVENUES	
Sales revenues	$ -
OPERATING EXPENSES	
Classified salaries	432
Employee benefits	148,789
Services and other operating expenditures	611,264
Total Operating Expenses	760,485
Operating Income (Loss)	(760,485)
NONOPERATING REVENUES (EXPENSES)	
Interest income	6,212
Insurance reimbursements	539,995
Operating transfers in	248,383
Total Nonoperating Revenues (Expenses)	794,590
NET INCOME (LOSS)	34,105
RETAINED EARNINGS, BEGINNING OF YEAR	725,083
RETAINED EARNINGS, END OF YEAR	$ 759,188

LAKE TAHOE COMMUNITY COLLEGE

CASH FLOW STATEMENT - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from insurance claims	$ 48,644
Cash payments for insurance claims	(134,481)
Cash payments to employees for services	(149,221)
Cash payments to suppliers for goods and services	(431,389)
Net Cash Provided (Used) for Operating Activities	(666,447)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from assessments made to other funds	248,383
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	6,212
Net decrease in cash and cash equivalents	(411,852)
Cash and cash equivalents - Beginning	728,548
Cash and cash equivalents - Ending	$ 316,696
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	(760,485)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Receivables	(846,321)
Accrued liabilities	179,874
NET CASH USED BY OPERATING ACTIVITIES	$ (666,447)

LAKE TAHOE COMMUNITY COLLEGE

BALANCE SHEET – FIDUCIARY FUNDS
JUNE 30, 2018

	Associated Students Trust	Student Representation Fee	Scholarship and Loan	Employment Benefits Trust	Total
ASSETS					
Cash and cash equivalents	$ 13,703	$ 13,781	$ 2,205	$ 600	$ 30,289
Investments	-	-	-	775,945	775,945
Due from other funds	-	-	-	387,518	387,518
Total Assets	$ 13,703	$ 13,781	$ 2,205	$ 1,164,063	$ 1,193,752
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 601	5,350	$ -	$ -	$ 5,951
Due to student groups	13,102	-	-	-	13,102
Total Liabilities	13,703	5,350	-	-	19,053
FUND BALANCES					
Restricted	-	8,431	-	1,164,063	1,172,494
Uncommitted	-	-	2,205	-	2,205
Total Fund Balances	-	8,431	2,205	1,164,063	1,174,699
Total Liabilities and Fund Balances	$ 13,703	$ 13,781	$ 2,205	$ 1,164,063	$ 1,193,752

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Student Representation Fee	Scholarship and Loan	Employment Benefits Trust	Total
REVENUES				
Local revenues	$ 10,809	$ -	$ 42,395	$ 53,204
Total Revenues	10,809	-	42,395	53,204
EXPENDITURES				
Current Expenditures				
Services and operating expenditures	8,376	-	500	8,876
Total Expenditures	8,376	-	500	8,876
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,433	-	41,895	44,328
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	387,518	387,518
Total Other Financing Sources (Uses)	-	-	387,518	387,518
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER)				
EXCESS OF REVENUES AND OTHER	2,433	-	429,413	431,846
FUND BALANCES, BEGINNING OF YEAR	5,998	2,205	734,650	742,853
FUND BALANCES, END OF YEAR	$ 8,431	$ 2,205	$ 1,164,063	$ 1,174,699

LAKE TAHOE COMMUNITY COLLEGE

RECONCILIATION OF STATEMENT OF NET POSITION TO BALANCE SHEET
JUNE 30, 2018

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance:		
General Funds	$ 2,548,697	
Special Revenue Funds	21,384	
Capital Project Funds	16,332,030	
Debt Service Funds	1,711,177	
Internal Service Funds	759,188	
Total Fund Balance - All District Funds		**$ 21,372,476**
Capital assets used in governmental activities are not financial resources and,		
The cost of capital assets is	67,374,805	
Accumulated depreciation is	(21,511,665)	45,863,140
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is greater) and are included with governmental activities.		130,093
Deferred outflows of resources related to OPEB and pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year end consist of:		4,951,817
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year end consist of:		(1,686,184)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year end consist of OPEB contributions subsequent to measurement date.		659,290
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(14,835,875)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year end consist of:		
Bonds payable	(31,720,000)	
Bond premiums	(1,025,419)	
Accrued interest on the bonds	(504,329)	
Capital leases payable	(34,990)	
Compensated absences (vacations)	(400,959)	
Banked faculty overload	(46,369)	
Net other postemployment benefits (OPEB) liability	(1,147,872)	(34,879,938)
Total Net Position		**$ 21,574,819**

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.

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.

Fund Balances - Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

INDEPENDENT AUDITOR'S REPORTS

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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 unit, and the aggregate remaining fund information of Lake Tahoe Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2018.

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.

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Compliance and Other Matters

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

Purpose of This Report

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 5, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT 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, 2018. 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 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.

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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, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 5, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2018.

Management's Responsibility

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

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 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual*. 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 opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

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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 State programs noted below that were audited for the year ended June 30, 2018,.

Other Matters

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	Dual Enrollment (CCAP and Non-CCAP)
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP) Funds
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 440	Intersession Extension Programs
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

The District does not participate in the Intersession Extension Programs or reports nor spend any Proposition 1d and 51 State Bond Funds, therefore, the compliance tests within these sections were not applicable.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 5, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

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

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

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

2017-001 Finding - State General Apportionment Funding System

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

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

Questioned Costs
Sample = 131.20 contact hours or 0.25 FTES
Extrapolated to Population = 1,968.35 contact hours or 3.75 FTES
This amount has not been adjusted on the Recalculation CCFS-320 Form.

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

Effect
Reported data was not accurate.

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

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

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

Status
Implemented.