

**CHABOT-LAS POSITAS COMMUNITY
COLLEGE DISTRICT**

FINANCIAL STATEMENTS

June 30, 2017

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

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CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

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WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Chabot-Las Positas Community College District
Dublin, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Chabot-Las Positas Community College District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Chabot-Las Positas Community College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities, of the Chabot-Las Positas Community College District, as of June 30, 2017, and the respective changes in its 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.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 44 to 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chabot-Las Positas Community College District's basic financial statements. The accompanying schedule of expenditure 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* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Organization disclosure, 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 schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Organization disclosure, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Organization disclosure 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.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2017 on our consideration of Chabot-Las Positas Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chabot-Las Positas Community College District's internal control over financial reporting and compliance.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 17, 2017

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of the Chabot-Las Positas Community College District (the District) as of June 30, 2017. The report consists of three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Change in Net Position; and the Statement of Cash Flows. The report provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Change in Net Position focuses on the costs of the District's operational activities, which are supported primarily by local property taxes and state apportionment revenues. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community Colleges Chancellor's Office has recommended that all California community colleges follow the Business Type Activity (BTA) model for financial statement reporting purposes. This model prescribes that the districts need only issue consolidated statements. This reporting model does not require fund financial statements to be included with the District's annual financial report.

FINANCIAL HIGHLIGHTS

The following discussion and analysis provide an overview of the District's financial activities.

Financial and Enrollment Highlights

- The District's net position decreased \$10.9 million from the previous year. This decrease was due to \$22.2 million or 11.5% increased expenditures. Salaries increased by \$7.5 million due to negotiated contract increases and additional staff. Employee benefits increased \$3.7 million reflecting rising costs of medical, STRS and PERS liabilities. Supplies and materials increased by \$11.3 million.
- The voters within the boundaries of the Chabot-Las Positas Community College District approved Measure B on March 4, 2004. This voter approval gave the District the authority to issue up to \$498 million in General Obligation Bonds. The Board authorized the first issuance of bonds totaling \$100 million and the proceeds were in the possession of the District on August 19, 2004. On November 1, 2006, the District issued the remainder of the General Obligation Bonds authorized by Measure B in the amount of \$398 million.
- On June 7, 2016, the voters approved Measure A with a 65% approval rate, well above the required 55%. This will allow the District the authority to issue up to \$950 million in General Obligation Bonds. The first issuance is expected in the fiscal year 2017-2018.
- The District's Budget was designed to fund faculty, staff, direct program expenditures and support services to serve 17,230 full-time equivalent students for General Apportionment purposes for the 2016-17 year.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- The District's salary and benefit expenses increased \$11.2 million or 9.64% primarily attributed to contractual increases and rising costs for STRS and PERS. Expenses for supplies, materials, and other operating expenses increased \$11.3 million or 31.3% mainly due to costs incurred for new state grants.
- The District received an additional \$18.2 million for new State grants and contracts or 95.8% above 2015-2016 for new state programs - Institutional Effectiveness (IEPI), ADT (Associate Degree to Transfer) Marketing and Strong Workforce programs.
- Cost-of-living adjustment: The State budget included a cost-of-living (COLA) adjustment of 0.00% for apportionments.
- Enrollment Fee: In 2016-17, enrollment fees remained at \$46 per unit.

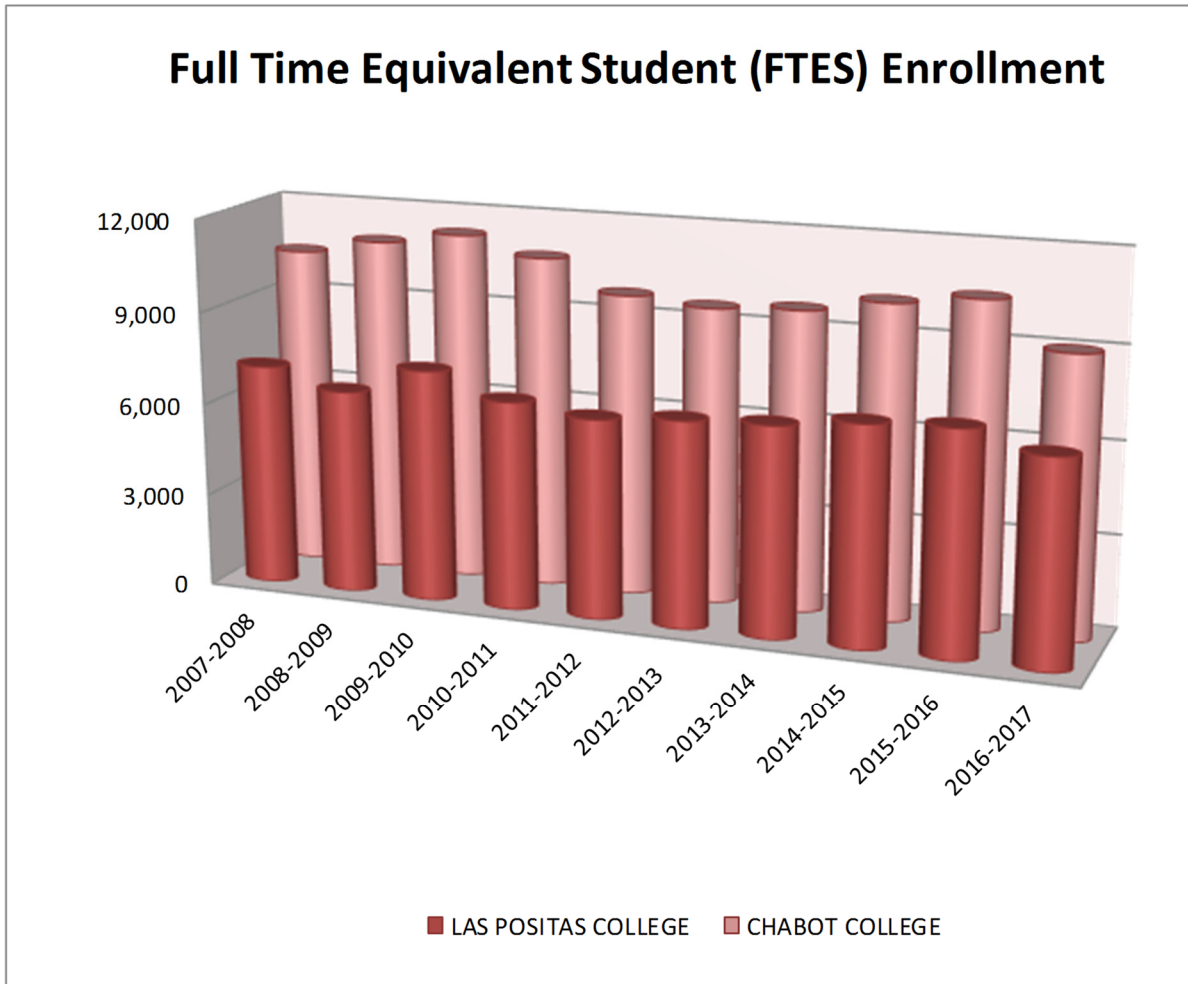
CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2017

CLPCCD Full Time Equivalent Student (FTES) Enrollment

<i>YEAR</i>	<i>CHABOT</i>	<i>% Growth</i>	<i>LPC</i>	<i>% Growth</i>	<i>TOTAL</i>	<i>% Growth</i>
2007-2008	10,420	1.0	7,186	1.4	17,606	1.2
2008-2009	10,912	4.7	6,591	(8.3)	17,503	(0.6)
2009-2010	11,315	3.7	7,501	13.8	18,816	7.5
2010-2011	10,756	(4.9)	6,744	(10.1)	17,500	(7.0)
2011-2012	9,754	(9.3)	6,442	(4.5)	16,196	(7.5)
2012-2013	9,552	(2.1)	6,651	3.2	16,203	0.0
2013-2014	9,698	1.5	6,758	1.6	16,456	1.6
2014-2015	10,132	4.5	7,065	4.5	17,197	4.5
2015-2016	10,455	3.2	7,185	1.7	17,640	2.6
2016-2017	9,023	(13.7)	6,602	(8.1)	15,625	(11.4)



CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector institutions. Net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is one way to measure the financial health of the District. Total net position of the District decreased \$10.9 million from the previous year.

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 28,439,671	\$ 33,526,281
Accounts receivable - net	23,216,753	15,405,531
Due from other funds	-	12,153
Prepaid expenses	2,005,100	1,791,745
Total Current Assets	53,661,524	50,735,710
NONCURRENT ASSETS		
Restricted cash and cash equivalents	92,727,982	104,481,211
Depreciable capital assets-net of depreciation	443,971,231	454,679,458
Nondepreciable capital assets	32,975,764	21,675,458
Total Noncurrent Assets	569,674,977	580,836,127
Total Assets	623,336,501	631,571,837
Deferred Outflows of Resources		
Deferred outflows - pensions	22,974,692	9,108,283
Deferred outflows - refinancing	39,611,061	37,834,304
Total Assets and Deferred Outflows of Resources	\$ 685,922,254	\$ 678,514,424
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and other liabilities	\$ 16,080,595	\$ 13,557,633
Interest payable	9,530,912	9,094,404
Deferred revenue	18,275,479	14,856,546
Compensated absences payable	2,095,393	1,920,563
Long-term debt - current portion	6,333,066	15,804,766
Total Current Liabilities	52,315,445	55,233,912
NONCURRENT LIABILITIES		
Long-term debt - noncurrent portion	757,359,628	731,636,152
Total Noncurrent Liabilities	757,359,628	731,636,152
Total Liabilities	809,675,073	786,870,064
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pensions	4,575,000	9,122,000
NET POSITION		
Investments in capital assets - net of related debt	(35,738,022)	64,297,114
Restricted	70,082,730	81,625,691
Unrestricted	(162,672,527)	(263,400,445)
Total Net Position	(128,327,819)	(117,477,640)
Total liabilities, deferred inflows of resources and net position	\$ 685,922,254	\$ 678,514,424

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Statement of Net Position (Continued)

The primary components of cash and short-term investments are District funds on deposit with the County Treasury and local banks.

Receivables primarily represent funding owed to the District by Federal, State and local governments, as well as other sources such as tuition and fees. The amount owed to the General Fund for apportionment payments is \$580 thousand. Other receivables consist of \$3.1 million due for federal grants, \$5.6 million for state grants, and \$49 thousand for local grants and contracts. Additional receivables include \$6.5 million due for student receivables; \$755 thousand for state lottery; and \$6.6 million for other local revenues.

Prepaid items primarily relate to multi-year hardware/software agreements and licenses and salaries and benefits paid in June for summer semester.

Restricted cash and investments of \$92.7 million which include amounts restricted for repayment of debt, for use in acquisition or construction of capital assets, for restricted programs, for any other restricted purpose, or in any funds restricted in purpose per the Budget and Accounting Manual. The balance of the cash includes cash deposit of other major funds held in the County Treasury and other banking and financial institutions.

Net capital assets represent the District's original investment in land, site improvements, buildings and equipment, less accumulated depreciation.

Accounts payable and accrued liabilities represent year-end accruals for services and goods received by the District during fiscal year 2016-17, for which payment would not be made until fiscal year 2017-18. At June 30, 2017 the Measure B Bond Construction fund owed contractors and vendors \$2.0 million, and the General Fund owed contractors, vendors and employees \$6.7 million. The remaining liabilities were owed by Restricted, Child Care and Student Financial Aid funds.

Unearned revenues represent prepayments received by the District, for which the amounts have yet to be earned. For fiscal year 2016-17, unearned revenues were \$18.3 million. Of this amount, \$5.7 million represents student tuition and \$2.4 million represents other student fees received during 2016-17 for the 2017-18 summer and fall terms. The other \$10.2 million represents funding for grants and contracts, the terms and conditions of which extend beyond the 2016-17 fiscal year.

The District's long-term liabilities primarily consist of general obligation bond debt and other post-employment benefit obligations.

Net position is divided into three components – *net investment in capital assets, restricted, and unrestricted.*

Net investment in capital assets is the difference between the amount shown for capital assets and the outstanding debt incurred to finance those capital assets. At June 30, 2017 capital assets were \$476.9 million. These assets are offset by debt incurred to finance those capital assets and cash restricted for the acquisition of those capital assets. The related debt is the amount owed for the general obligation bonds.

Restricted net position represents resources that are constrained to a particular purpose. The major components of restricted net position are those restricted for educational programs, debt service on the general obligation bonds, and capital outlay.

Unrestricted net position is essentially all resources not included in the first two components listed above.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Statement of Revenues, Expenses, and Change in Net Position

The Statement of Revenues, Expenses and Change in Net Position represents the financial results of the District's "operations," as well as its "non-operating activities." The distinction between these two activities involves the concepts of "exchange" and "non-exchange." An operating activity is one in which a "direct payment"/exchange is made (by one party to another) for the receipt of specified goods or services, i.e., the payer is the one receiving benefit. As an example, tuition fees, paid by a student, is an "exchange" for instructional services. Likewise, grant and contract funding received (on the condition that the District provides specific contracted services), is also an "exchange." Both are therefore recorded as "operating revenue." The receipt of Pell grants, state apportionments and property taxes, however, do not include this "exchange" relationship between "payment" and the "receipt of benefit." Such revenues are deemed "non-exchange" transactions, and are therefore treated as "non-operating" activities.

Because the primary sources of funding that support the District's instructional activities come from state apportionment, and local property taxes, the financial results of the District's "operations" will result in a net operating loss.

The primary components of "tuition and fees" are the \$46 per unit enrollment fee that is charged to all students registering for classes, and the additional \$243 per unit fee that is charged to all non-resident students. The discrepancy between these fees is due to the fact that resident student instruction is largely subsidized by local property taxes and state apportionment. Non-resident students must pay for the full cost of instruction. Respectively, these two revenue-streams account for \$10 million and \$2.6 million. Another \$934 thousand is collected in the form of parking permits. The remainder is collected from an assortment of other student fees.

The largest component of the District's operating revenues is non-capital grants and contracts. Of these, the largest sub-components are from funding received from the Federal grants (\$8.7 million) to include funding for vocational training and higher education programs and State grants (\$37.1 million) for categorical programs, such as DSPP, EOPS, and Student Success and new State grants such as Institutional Effectiveness (IEPI), and Strong Workforce, to name a few. Included in local grants and contracts (\$7.7 million) are all of the contracted education services, as well as all other miscellaneous service revenue received by the District.

The principal components of the District's non-operating revenue are: non-capital state apportionment, Federal Pell Grants, local property taxes, other state funding, and interest income. All of this revenue supports the District's instructional activities.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Tuition and fees	\$ 25,707,312	\$ 25,743,474
Less: Scholarship discounts and allowances	(9,120,604)	(9,657,574)
Net Tuition and Fees	16,586,708	16,085,900
Grants and contracts - noncapital:		
Federal	8,662,681	9,230,791
State	37,099,191	18,946,591
Local	7,739,045	6,557,421
Total Operating Revenues	70,087,625	50,820,703
OPERATING EXPENSES		
Salaries	86,293,621	78,788,256
Employee benefits	41,466,231	37,743,147
Supplies, materials, other operating expenses	47,514,353	36,191,687
Student financial aid and scholarship	19,666,946	20,402,279
Depreciation	20,190,857	19,827,971
Total Operating Expenses	215,132,008	192,953,340
Operating Loss	(145,044,383)	(142,132,637)
NONOPERATING REVENUES (EXPENSES)		
State apportionments - noncapital	49,300,177	46,308,602
Local property taxes - noncapital	40,577,629	41,779,945
State taxes and other revenues	7,203,823	14,050,649
Federal grants - Pell	15,865,130	16,902,192
Investment income	738,619	474,454
Interest expense	(11,149,994)	(19,369,999)
Loss on disposal of capital assets	(683,726)	(136,522)
Other nonoperating revenues	4,205,826	4,035,940
Total Nonoperating Revenues (Expenses)	106,057,484	104,045,261
Loss Before Other Revenues, Expenses, Gains, or Losses	(38,986,899)	(38,087,376)
Local property taxes - capital	28,136,720	21,972,750
Change in Net Position	(10,850,179)	(16,114,626)
Net Position - Beginning of Year	(117,477,640)	(101,363,014)
Net Position - End of Year	\$ (128,327,819)	\$ (117,477,640)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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

The largest component of the District's operating expense is the cost of salaries and benefits. Approximately 60% percent of the total expense is spent in this area. Supplies and other expenses account for an additional 22% of total expenses. Depreciation and student financial aid each account for 9% of total operating expenses. The supplies and other expense categories include insurance premiums, facilities rental, equipment repair, as well as supplies and a host of other expenses necessary for the operation of the District.

OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION			
Functional Expense	2017	% of Total	2016
Instructional activities	\$ 68,937,435	32.0%	\$ 63,182,107
Academic support	12,308,684	5.7%	9,434,976
Student services	22,458,452	10.4%	20,787,553
Operation and maintenance of plant	10,679,714	5.0%	9,868,617
Institutional support	20,995,473	9.8%	21,474,619
Community services and economic development	893,375	0.4%	863,688
Ancillary services, auxiliary services	25,323,155	11.8%	13,306,147
Student aid	20,417,780	9.5%	21,068,543
Physical property/GASB entries	33,117,938	15.4%	32,967,090
TOTAL	\$ 215,132,008	100.0%	\$ 192,953,340

The Functional Expense chart incorporates all District funds appropriations for fiscal year 2016-17. The largest expense in 2016-17 was in the area of instruction at 32.0%.

The Student Services expense of 10.4% includes counseling and guidance services and expenses associated with a number of state and categorical programs to include Student Success (formerly Matriculation), Disabled Student Services Program (DSPS), Extended Opportunity Programs & Services (EOPS), Financial Aid Administration, and Veteran Services. Student aid was 9.5%.

The bulk of the ancillary services and auxiliary operations percentage of 11.8% encompasses the childcare center, contract education department, food service, parking operation, and student and co-curricular activities.

The Community Services and Economic Development 0.4%, includes community services, recreation classes and facility use. Plant Maintenance and Operation was 5.0%. Physical property, depreciation and GASB entries of 15.4% consist of a number of building improvements and alterations that took place throughout the District.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the District during the year. The Statement is divided into five parts. The first part deals with the operating cash flows, and shows the net cash used by the operating activities of the District. The second section reflects cash flows from non-capital financing activities. The third section deals with the net cash used by financing activities related to the acquisition of capital and related items. The fourth section reflects the cash received from investing activities, and shows the purchases, proceeds, and interest received from investing activities. The fifth section (not summarized here) reconciles the net cash activity to the net operating loss on the Statement of Revenue, Expenses and Change in Net Position.

Cash provided by (used in)	2017	2016
Operating activities	(\$118,312,202)	(\$114,377,934)
Non-capital financing activities	112,268,122	130,226,837
Capital and related financing activities	(11,619,763)	(18,266,820)
Investing activities	824,004	504,845
Net (decrease) increase in cash	(16,839,839)	(1,913,072)
Cash Beginning of Year	138,007,492	139,920,564
Cash End of Year	\$121,167,653	\$138,007,492

Capital Asset and Debt Administration

Capital Assets

At June 30, 2017, the District had a net \$476.9 million in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$592 thousand, or a decrease of less than 1%, from last year. We present more detailed information regarding our capital assets in Note 4 of the financial statements.

Long-Term Liabilities

At June 30, 2017, the District had \$763.7 million in Measure B Bond debt outstanding versus \$747.5 million last year. Other obligations include other post-employment benefit obligations (OPEB) and GASB 68 liabilities for STRS and PERS. We present more detailed information regarding our long-term liabilities in Note 6 of the financial statements.

Economic Factors that will Effect the Future

The District's economic strength is directly affected by the economic well-being of California. The State's economy has strengthened and revenues have increased, driven primarily by increased capital gains and other income from high-wage earners. However, the Governor forewarns of a future downturn to the economy and continues to push for maintaining a reserve.

In addition, the State has provided additional funding to cover increasing CalSTRS and CalPERS costs.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, 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 the Department of Business Services at Chabot-Las Positas Community College District, 7600 Dublin Boulevard, 3rd Floor, Dublin, California 94568, or e-mail byesnosky@clpccd.org.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

ASSETS

Current assets:

Cash and cash equivalents (Note 2)	\$ 28,439,671
Receivables, net (Note 3)	23,216,753
Prepaid expenses	<u>2,005,100</u>
Total current assets	<u>53,661,524</u>

Noncurrent assets:

Restricted cash and cash equivalents (Note 2)	92,727,982
Depreciable capital assets, net (Note 4)	443,971,231
Non-depreciable capital assets (Note 4)	<u>32,975,764</u>
Total noncurrent assets	<u>569,674,977</u>
Total assets	<u>623,336,501</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - pensions (Notes 8 and 9)	22,974,692
Deferred outflows of resources - refunding (Note 6)	<u>39,611,061</u>
Total deferred outflows	<u>62,585,753</u>
Total assets and deferred outflows of resources	<u>\$ 685,922,254</u>

LIABILITIES

Current liabilities:

Accounts payable and other liabilities	\$ 16,080,595
Interest payable	9,530,912
Unearned revenue (Note 5)	18,275,479
Compensated absences payable (Note 6)	2,095,393
Long-term liabilities - current portion (Note 6)	<u>6,333,066</u>
Total current liabilities	<u>52,315,445</u>

Noncurrent liabilities:

Long-term liabilities - noncurrent portion (Note 6)	<u>757,359,628</u>
Total liabilities	<u>809,675,073</u>

Commitments and contingencies (Note 10)

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - pensions	<u>4,575,000</u>
--	------------------

NET POSITION

Net investment in capital assets	(35,738,022)
Restricted for:	
Expendable:	
Education programs	4,104,093
Capital projects	48,315,169
Debt service	17,663,468
Unrestricted	<u>(162,672,527)</u>
Total net position	<u>(128,327,819)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 685,922,254</u>

See accompanying notes to financial statements.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Year Ended June 30, 2017

Operating revenues:	
Tuition and fees	\$ 25,707,312
Less: scholarship discounts and allowances	<u>(9,120,604)</u>
Net tuition and fees	<u>16,586,708</u>
Grants and contracts, non-capital:	
Federal	8,662,681
State	37,099,191
Local	<u>7,739,045</u>
Total operating revenues	<u>70,087,625</u>
Operating expenses:	
Salaries	86,293,621
Employee benefits (Notes 8, 9 and 10)	41,466,231
Supplies, materials and other operating expenses	47,514,353
Student financial aid and scholarship	19,666,946
Depreciation (Note 4)	<u>20,190,857</u>
Total operating expenses	<u>215,132,008</u>
Loss from operations	<u>(145,044,383)</u>
Non-operating revenues (expenses):	
State apportionment, non-capital	49,300,177
Local property taxes (Note 8)	40,577,629
State taxes and other revenues	7,203,823
Federal grants - Pell	15,865,130
Investment income, net	738,619
Interest expense on capital asset-related debt, net (Note 4)	(11,149,994)
Loss on disposal of capital assets	(683,726)
Other non-operating revenues, net	<u>4,205,826</u>
Total non-operating revenues (expenses)	<u>106,057,484</u>
Loss before capital revenues	<u>(38,986,899)</u>
Capital revenues:	
Local property taxes and revenues	<u>28,136,720</u>
Decrease in net position	<u>(10,850,179)</u>
Net position, July 1, 2016	<u>(117,477,640)</u>
Net position, June 30, 2017	<u>\$ (128,327,819)</u>

See accompanying notes to financial statements.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

Cash flows from operating activities:	
Tuition and fees	\$ 15,284,460
Federal, state and local grants and contracts	53,432,459
Payments of scholarships and grants	(20,402,279)
Payments to suppliers and vendors	(45,537,987)
Payments to and on behalf employees	(86,236,840)
Payments for benefits	(34,943,749)
Other operating local revenues	<u>91,734</u>
Net cash used in operating activities	<u>(118,312,202)</u>
Cash flows from noncapital financing activities:	
State appropriations	48,880,344
Local property taxes	40,577,630
State taxes and other revenues	7,190,663
Pell grants	15,865,130
Other non-operating revenues	<u>(245,645)</u>
Net cash provided by noncapital financing activities	<u>112,268,122</u>
Cash flows from capital and related financing activities:	
Local property taxes	28,136,720
Purchase of capital assets	(21,474,014)
Proceeds from sale of capital assets	7,352
Principal paid on capital debt	(4,213,397)
Proceeds from issuance of debt	1,520,041
Interest paid on capital debt, net	<u>(15,596,465)</u>
Net cash used in capital and related financing activities	<u>(11,619,763)</u>
Cash flows provided by investing activities:	
Investment income	<u>824,004</u>
Net decrease in cash and cash equivalents	(16,839,839)
Cash and cash equivalents, July 1, 2016	<u>138,007,492</u>
Cash and cash equivalents, June 30, 2017	<u>\$ 121,167,653</u>

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

Reconciliation of loss from operations to net cash used in operating activities:

Loss from operations	\$ (145,044,383)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	20,190,857
Changes in assets and liabilities:	
Receivables, net	(4,788,899)
Prepaid expenses	(213,357)
Deferred outflows of resources - Pensions	(13,866,409)
Accounts payable and other liabilities	2,443,390
Unearned revenue	3,418,933
Due from other funds	91,734
Other postemployment benefits, retirement incentives and compensated absences	3,972,932
Net pension liability	20,030,000
Deferred inflows of resources - pension	<u>(4,547,000)</u>
Net cash used in operating activities	<u>\$ (118,312,202)</u>

Supplementary disclosure of non-cash transactions:

Amortization of premiums on debt	\$ 3,241,742
Amortization of loss on refunding debt	\$ 5,194,006
Accretion of interest	\$ 769,613

During the year ended June 30, 2017, the District issued general obligation refunding bonds to refund existing debt outstanding. The proceeds from refunding issuance totaled \$281,022,807 for the future defeasance of \$187,676,142 of previously outstanding general obligation bonds and accreted interest of \$84,855,861.

See accompanying notes to financial statements.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2017

	<u>Trust Fund</u>	<u>Agency Fund</u>
	Student Rep Fund	Associated Students of Chabot-Las Positas College
ASSETS		
Cash and investments (Note 2)	\$ 9,174	\$ 460,554
Receivables	<u>-</u>	<u>452</u>
Total assets	<u>\$ 9,174</u>	<u>\$ 461,006</u>
LIABILITIES		
Accounts payable	\$ -	\$ 4,035
Amount held for others	<u>-</u>	<u>456,971</u>
Total liabilities	<u>-</u>	<u>\$ 461,006</u>
NET POSITION		
Restricted net position	<u>9,174</u>	
Total liabilities and restricted net position	<u>\$ 9,174</u>	

See accompanying notes to financial statements.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2017

	<u>Student Rep Fund</u>
Additions:	
Other local sources	\$ <u>31,546</u>
Deductions:	
Supplies and materials	230
Other operating expenses	<u>24,516</u>
Total deductions	<u>24,746</u>
Change in net position	6,800
Net position, July 1, 2016	<u>2,374</u>
Net position, June 30, 2017	<u><u>\$ 9,174</u></u>

See accompanying notes to financial statements.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Chabot-Las Positas Community College District (the "District") is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Codification Section (Cod. Sec.) 2100.101. The District is classified as a state instrumentality under Internal Revenue Code Section 115.

The District identified that the Chabot-Las Positas Colleges Foundation, the Friends of Chabot College Foundation and the Las Positas College Foundation do not meet the criteria as a component unit under GASB Statement No. 14, 39 and 61, therefore, the Foundations' assets, liabilities, and disbursements are not included in the District financial statements.

Basis of Presentation and Accounting: For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. Under this model, the District's financial statements provide a comprehensive entity-wide perspective of the District's financial position and activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when the obligation has been incurred. All significant intra-agency transactions have been eliminated.

Fiduciary funds for which the District acts only as an agent are not included in the business type activities of the District. These funds are reported in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level. The Associated Students of Chabot-Las Positas College Fund accounts for the receipt and disbursement of monies from the student activity organizations. The Student Rep Fund is a Trust Fund used to account for amounts held by the District as a Trustee.

The District records revenues when earned and expenses when a liability is incurred regardless of the timing of the related cash flow. The budgetary and financial accounts of the District are recorded and maintained in accordance with the *Chancellor's Office's Budget and Accounting Manual (BAM)*.

Cash and Cash Equivalents: For the purposes of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the County Treasurer's investment pool are considered cash equivalents.

Restricted Cash and Cash Equivalents: Restricted cash and cash equivalents includes amounts restricted for the repayment of debt, for use in the acquisition or construction of capital assets, for restricted programs, for any other restricted purpose, or in any funds restricted in purpose per the BAM.

Investment Pools: The carrying value of the District's investment in the Alameda County Treasury pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value 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.

Receivables: Receivables consist of tuition and fee charges to students, amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. The allowance is based upon management's estimates and analysis. The allowance was estimated at \$1,837,710 for the year ended June 30, 2017.

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets are recorded at cost at the date of acquisition or, if donated, at acquisition value at the date of donation. For equipment, the District's capitalization policy included all furniture, equipment or vehicles with a unit cost of \$5,000 or more. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Capital assets are depreciated using the straight-line method over 5 - 50 years depending on asset types.

Load Banking: The District also participates in and accrues "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 District recognizes this as a component of accounts payable.

Unearned Revenue: Revenues from Federal, State and local special projects and programs are recognized when qualified expenditures have been incurred. Tuition, fees and other support received but not earned are recorded as unearned revenue until earned.

Compensated Absences: Compensated absences costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized as a liability at year end.

Accumulated Sick Leave: Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when employee retires.

Long Term Liabilities: Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Long term liabilities are reported net of the applicable bond premium or discount.

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

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

Restricted net position: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Nonspendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to the principal.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, State apportionments, and sales and services of educational departments. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District typically applies the expense toward restricted resources, then to unrestricted resources.

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State Apportionments: Certain current year apportionments from the state are based on various financial and statistical information of the previous year. Any prior year corrections due to a recalculation will be recorded in the year completed by the state. When known and measurable, these recalculations and corrections are accrued in the year in which FTES are generated.

Classification of Revenue and Expenses: The District has classified its revenues and expenses as either operating or nonoperating revenues and expenses. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. Co5.101 including State appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues and expenses: Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, and (2) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital related debt.

Nonoperating revenues and expenses: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. Co5.101, such as State appropriations and investment income. Interest expense on capital related debt is the only nonoperating expense.

Property Taxes: All property taxes are levied and collected by the Tax Assessors of the Counties of Alameda and Contra Costa and paid upon collection to the various taxing entities including the District. Secured taxes are levied on July 1 and are due in two installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date for secured and unsecured property taxes is March 1 of the preceding fiscal year.

Scholarship Discounts and Allowances: Student tuition and fee revenue are reported net of the Board of Governors fee waivers and allowances in the statement of revenues, expenses and change in net position. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by the students and/or their parties making payments on the students' behalf. Certain governmental grants, and other federal, state and nongovernmental programs are recorded as operating revenues, while Federal Pell Grants are classified as non-operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported which is in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to recognition of the pension liability reported in the Statement of Net Position..

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. The following is a summary of pension amounts in aggregate:

	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 10,445,952</u>	<u>\$ 12,528,740</u>	<u>\$ 22,974,692</u>
Deferred inflows of resources	<u>\$ 2,853,000</u>	<u>\$ 1,722,000</u>	<u>\$ 4,575,000</u>
Net pension liability	<u>\$ 62,382,000</u>	<u>\$ 43,464,000</u>	<u>\$ 105,846,000</u>
Pension expense	<u>\$ 8,768,336</u>	<u>\$ 5,197,817</u>	<u>\$ 13,966,153</u>

On-Behalf Payments: GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all Community Colleges in California.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements: In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. This statement is effective for the District's fiscal year ending June 30, 2018. Earlier application is encouraged. Management has not determined what impact this statement will have on its financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2017, consisted of the following:

	<u>District</u>	<u>Fiduciary</u>
Pooled Funds:		
Cash in County Treasury	\$ 105,072,184	\$ -
Deposits:		
Cash on hand and in banks	<u>16,095,469</u>	<u>469,728</u>
Total cash and cash equivalents	<u>121,167,653</u>	<u>469,728</u>
Less: restricted cash and cash equivalents	<u>(92,727,982)</u>	<u>-</u>
Net cash and cash equivalents	<u>\$ 28,439,671</u>	<u>\$ 469,728</u>

Cash in County Treasury: As provided for by California Education Code Section 41001, the District maintains substantially all of its cash in the Alameda County Treasury for the purpose of increasing interest earned through County investment activities.

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

The District is considered to be an involuntary participant in an external investment pool. The carrying value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value 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.

Because the District's deposits are maintained in the Alameda County Investment Pool, a recognized pooled investment fund under the care of a third party, and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial risk classifications is required.

Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The Alameda County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2017.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of its cash and investments or collateral securities that are in possession of another party.

The District's investment policy is consistent with California Government Code as it relates to investment vehicles. The District's investment policy authorizes it to invest in the following:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	100%	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
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 Funds (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

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

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2017, the carrying amount of the District's cash on hand and in banks for the District and its fiduciary funds was \$16,565,197 and the bank balance was \$10,778,669, of which \$1,102,358 was FDIC insured.

Investments Authorized by Debt Agreements: Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Alameda County Investment Pool	Five years	None	None

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. At June 30, 2017, the District had no significant interest rate risk related to cash and investments held.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

<u>Investment Type</u>	<u>Weighted Average Maturity (in Years)</u>
Alameda County Investment Pool	1.07

Credit Risk: Generally, 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. Presented below is the minimum rating required by (where applicable) the California Government Code, the Alameda County Treasury Investment Policy based on California Government Code Section 53635, the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Rating at Year End</u>
Alameda County Investment Pool	None	N/A

Concentration of Credit Risk: The District's investment policy places limits on the amount it may invest in any one issuer. June 30, 2017, the District had no concentration of credit risk.

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 – RECEIVABLES

District receivables at June 30, 2017 are summarized as follows:

Federal	\$ 3,097,394
State	6,414,816
Local and other	<u>15,542,253</u>
	25,054,463
Less allowance for doubtful accounts	<u>(1,837,710)</u>
	<u><u>\$ 23,216,753</u></u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, <u>2016</u>	Additions and <u>Transfers</u>	Deductions and <u>Transfers</u>	Balance June 30, <u>2017</u>
Non-depreciable:				
Land	\$ 9,041,723	\$ -	\$ -	\$ 9,041,723
Construction in progress	12,633,735	18,613,832	(7,313,526)	23,934,041
Depreciable:				
Land improvements	84,669,443	2,047,233	-	86,716,676
Buildings and improvements	495,543,035	6,220,072	(1,358,860)	500,404,247
Furniture and equipment	<u>21,980,036</u>	<u>1,906,403</u>	<u>(1,144,308)</u>	<u>22,742,131</u>
Total	<u>623,867,972</u>	<u>28,787,540</u>	<u>(9,816,694)</u>	<u>642,838,818</u>
Less accumulated depreciation:				
Land improvements	48,880,536	8,357,931	-	57,238,467
Buildings and improvements	84,060,119	9,772,934	(689,817)	93,143,236
Furniture and equipment	<u>14,572,401</u>	<u>2,059,992</u>	<u>(1,122,273)</u>	<u>15,510,120</u>
Total	<u>147,513,056</u>	<u>20,190,857</u>	<u>(1,812,090)</u>	<u>165,891,823</u>
Capital assets, net	<u><u>\$ 476,354,916</u></u>	<u><u>\$ 8,596,683</u></u>	<u><u>\$ (8,004,604)</u></u>	<u><u>\$ 476,946,995</u></u>

The District capitalizes interest paid on obligations related to the acquisition, construction or rehabilitation of District capital assets. At June 30, 2017, the amount of interest expense on capital asset-related debt totaled \$11,149,994, which is net of interest capitalized of \$4,452,952.

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 – UNEARNED REVENUE

Unearned revenue for the District consisted of the following:

Unearned Federal and State revenue	\$ 9,775,725
Unearned tuition and student fees	8,100,914
Unearned local grant revenue and other	<u>398,840</u>
Total unearned revenue	<u>\$ 18,275,479</u>

NOTE 6 – LONG-TERM LIABILITIES

In February 2013, the District issued 2013 General Obligation Refunding Bonds aggregating \$289,105,000. The bonds mature through August 2032 and bear interest at rates ranging from 3.0% to 5.0%.

The annual payments required to amortize the 2013 General Obligation Refunding Bonds as of June 30, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 465,000	\$ 13,092,669	\$ 13,557,669
2019	590,000	13,076,844	13,666,844
2020	1,555,000	13,044,669	14,599,669
2021	2,585,000	12,969,644	15,554,644
2022	3,710,000	12,843,744	16,553,744
2023-2027	91,910,000	53,960,219	145,870,219
2028-2032	149,575,000	27,211,613	176,786,613
2033	<u>38,715,000</u>	<u>897,066</u>	<u>39,612,066</u>
	<u>\$ 289,105,000</u>	<u>\$ 147,096,468</u>	<u>\$ 436,201,468</u>

In July 2016, the District issued the 2016 Refunding General Obligation bonds to refund certain portions of the District's remaining outstanding General Obligation Bonds, Election of 2004, Series 2006B and 2006C and the 2006 General Obligation Refunding Bonds. The bonds mature through August 2037 and bear interest at rates ranging from 2.0% to 5.0%.

Although the advance refundings resulted in the recognition of an accounting loss of \$6,970,763 for the year ended June 30, 2017, the District in effect reduced its aggregate debt service payments by \$408,357,896 over the next 15 years and obtained an economic gain of \$186,851,030.

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Calculation of difference in cash flow requirements and economic gain are as follows:

Old debt service cash flows	\$ 829,463,225
New debt service cash flows	<u>421,105,329</u>
 Total cash flow difference	 <u>\$ 408,357,896</u>
 Present value of old debt service cash flows	 \$ 491,408,315
Present value of new debt service cash flows	<u>304,557,285</u>
 Economic gain	 <u>\$ 186,851,030</u>

The annual payments required to amortize the Election of 2016 Refunding General Obligation Bonds outstanding as of June 30, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 2,405,000	\$ 9,750,475	\$ 12,155,475
2019	4,710,000	9,655,775	14,365,775
2020	4,975,000	9,505,625	14,480,625
2021	5,260,000	9,309,625	14,569,625
2022	5,630,000	9,067,375	14,697,375
2023-2027	-	44,708,125	44,708,125
2028-2032	-	44,708,125	44,708,125
2033-2037	176,075,000	31,105,388	207,180,388
2038	<u>48,305,000</u>	<u>966,100</u>	<u>49,271,100</u>
	<u>\$247,360,000</u>	<u>\$168,776,613</u>	<u>\$416,136,613</u>

Changes in Long-Term Debt: A schedule of changes in long-term debt for the year ended June 30, 2017 is as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds	\$ 480,994,539	\$ 247,360,000	\$ 191,889,539	\$ 536,465,000	\$ 2,870,000
General Obligation Bonds Premium, net	33,725,182	33,662,807	3,241,742	64,146,247	3,463,066
Accreted interest	93,467,852	769,613	94,237,465	-	-
Net pension liability (Notes 8 and 9)	85,816,000	20,030,000	-	105,846,000	-
Other postemployment benefits (Note 10)	53,437,345	9,451,887	5,653,785	57,235,447	-
Compensated absences	<u>1,920,563</u>	<u>174,830</u>	<u>-</u>	<u>2,095,393</u>	<u>2,095,393</u>
	<u>\$ 749,361,481</u>	<u>\$ 311,449,137</u>	<u>\$ 295,022,531</u>	<u>\$ 765,788,087</u>	<u>\$ 8,428,459</u>

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

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

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members – Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2016-17. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2016-17.

In general, member contributions cannot increase unless members are provided with some type of “comparable advantage” in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this “comparable advantage,” the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 12.58 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2016-17 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed \$5,486,952 to the plan for the fiscal year ended June 30, 2017.

State – 8.828 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2046-2047. The CalSTRS state contribution rates effective for fiscal year 2016-17 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 4.811 percent on July 1, 2017, to continue paying down the unfunded liabilities associated with the benefits structure that was in place 1990 prior to certain enhancements in benefits and reductions in contributions.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017	2.017%	4.811%(2)	2.50%	9.328%
July 01, 2018 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(3)	2.50%	4.517%(3)

(1) This rate does not include \$72 million reduction with Education Code 22954

(2) During its April 2017 meeting, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2017.

(3) The CalSTRS board has limited authority to adjust state contribution rates from July 1, 2017, through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

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

District's proportionate share of the net pension liability	\$ 62,382,000
State's proportionate share of the net pension liability associated with the District	<u>35,516,000</u>
Total	<u><u>\$ 97,898,000</u></u>

The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2016, the District's proportion was 0.077 percent, which was a decrease of 0.002 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$8,768,336 and revenue of \$2,946,870 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 1,522,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	4,959,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,331,000
Contributions made subsequent to measurement date	<u>5,486,952</u>	<u>-</u>
Total	<u><u>\$ 10,445,952</u></u>	<u><u>\$ 2,853,000</u></u>

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

\$5,486,952 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ (429,267)
2019	\$ (429,267)
2020	\$ 2,458,484
2021	\$ 1,360,650
2022	\$ (499,600)
2023	\$ (355,000)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2016 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

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

Valuation Date	June 30, 2015
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis and June 30, 2015 Actuarial Program Valuation for more information.

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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 as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	6.30%
Private Equity	13	9.30
Real Estate	13	5.20
Inflation Sensitive	4	3.80
Fixed Income	12	0.30
Absolute Return/Risk Mitigating Strategies	9	2.90
Cash / Liquidity	2	(1.00)

* 20-year geometric average

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease <u>(6.60%)</u>	Current Discount Rate <u>(7.60%)</u>	1% Increase <u>(8.60%)</u>
District's proportionate share of the net pension liability	<u>\$ 89,782,000</u>	<u>\$ 62,382,000</u>	<u>\$ 39,626,000</u>

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2016.pdf>.

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2017 were as follows:

Members – The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2016-17.

Employers – The employer contribution rate was 13.888 percent of applicable member earnings.

The District contributed \$3,915,740 to the plan for the fiscal year ended June 30, 2017.

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

At June 30, 2017, the District reported a liability of \$43,464,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2016, the District’s proportion was 0.220 percent, which was a change of zero percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized a pension expense of \$5,197,817. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,869,000	\$ -
Changes of assumptions	-	1,306,000
Net differences between projected and actual earnings on investments	6,744,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	416,000
Contributions made subsequent to measurement date	<u>3,915,740</u>	<u>-</u>
Total	<u>\$ 12,528,740</u>	<u>\$ 1,722,000</u>

\$3,915,740 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ 741,766
2019	\$ 1,129,766
2020	\$ 3,258,268
2021	\$ 1,761,200

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

Valuation Date	June 30, 2015
Experience Study	June 30, 1997, through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	51%	5.25%
Global Debt Securities	20	0.99
Inflation Assets	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	1	(0.55)

* 10-year geometric average

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease <u>(6.65%)</u>	Current Discount Rate <u>(7.65%)</u>	1% Increase <u>(8.65%)</u>
District’s proportionate share of the net pension liability	<u>\$ 64,848,000</u>	<u>\$ 43,464,000</u>	<u>\$ 25,657,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Notes 7 and 8, the District administers a single-employer defined benefit healthcare plan and provides post employment medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in CalPERS is a minimum age of 55 and a minimum ten years of continuous service with the District. Additional age and service criteria may be required. The eligibility requirement for employees participating in CalSTRS is a minimum age of 60 with five years of service, or age 50 with 30 years of service. In addition, the District also has minimum continuous service requirements for retirement that range from three years to ten years, and varies by employee class. There is no separate report issued for the defined benefit healthcare plan.

The District offers subsidized health insurance benefits to all employees who retire from the District and meet the age and service requirement for eligibility. Group medical coverage is provided for academic retirees hired on or after April 1, 1986, and classified retirees hired on or after July 1, 1984. For employees hired on or after January 1, 2013, no group medical coverage is provided. The amount of the District's contribution per employee towards such annual premiums is determined according to the collective bargaining agreements.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 10,923,853
Interest on net OPEB obligation	2,404,681
Adjustment to annual required contribution	<u>(3,876,647)</u>
Annual OPEB cost	9,451,887
Contributions made	<u>(5,653,785)</u>
Increase in net OPEB obligation	3,798,102
Net OPEB liability - beginning of year	<u>53,437,345</u>
Net OPEB liability - end of year	<u><u>\$ 57,235,447</u></u>

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 12,094,268	44.1%	\$ 46,745,742
June 30, 2016	\$ 11,931,949	43.9%	\$ 53,437,345
June 30, 2017	\$ 9,451,887	59.8%	\$ 57,235,447

As of April 1, 2017, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$125.4 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$125.4 million. For the year ended June 30, 2017, the covered payroll (annual payroll of active employees covered by the Plan) was \$41,136,287, and the ratio of the UAAL to the covered payroll was 305 percent. The OPEB plan is currently operated as a pay-as-you-go-plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the April 1, 2017 actuarial valuation, the entry-age normal cost method was used to value the liability. The actuarial assumptions included a 4.50 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4.0. A zero to 3.5 percent morbidity assumption was used to increase expected medical claims. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a fifteen-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017, was 22 years.

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Contingent Liabilities: The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received Federal and State funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect.

Construction Commitments: As of June 30, 2017, the District has \$15,290,559 in outstanding commitments on construction contracts.

NOTE 11 – JOINT POWERS AGREEMENTS

Chabot-Las Positas Community College District participates in public entity risk pool joint power agreements (JPAs), with Statewide Association of Community Colleges (SWACC) and Protected Insurance Program for Schools (PIPS). The District is a member in School Project for Utility Rate Reduction (SPURR), which is a California joint powers authority, whose members are California public K-12 school districts, community college districts and county offices of education. SPURR provides members access to the wholesale natural gas market that would otherwise be unavailable to them. The District is also a member of the California College Insurance Group (CCIG) in an effort to obtain the most cost effective benefits for employees for dental and vision. The relationship between Chabot-Las Positas Community College District and the JPAs is such that the JPAs are not component units of Chabot-Las Positas Community College District for financial reporting purposes.

The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including the selection of management and approval of operating budgets, independent of any influence by the member district beyond their representation on the governing board. SWACC provides property, liability and PIPS provides workers' compensation insurance. Chabot-Las Positas Community College District pays a premium commensurate with the level of coverage requested. Settled claims resulting from these risks have not exceeded insurance coverage on any of these past three years.

Member districts share surpluses and deficits proportionate to their participation in the JPAs. The JPAs are independently accountable for their fiscal matters and maintain their own accounting records. Budgets are not subject to any approval other than that of the governing board.

Condensed financial information of the JPAs for the most recent year available is as follows:

	<u>SWACC</u>	<u>PIPS</u>	<u>SPURR</u>	<u>CCIG</u>
	<u>June 30, 2016</u>	<u>June. 30, 2016</u>	<u>June. 30, 2016</u>	<u>June. 30, 2016</u>
Total assets	\$ 53,650,572	\$ 117,633,714	\$ 11,805,370	\$ 1,205,726
Total liabilities	\$ 25,243,178	\$ 104,282,740	\$ 6,302,506	\$ 153,636
Net position	\$ 28,407,394	\$ 13,350,974	\$ 5,502,864	\$ 1,052,090
Total revenues	\$ 19,710,832	\$ 265,667,899	\$ 31,920,592	\$ 2,173,092
Total expenses	\$ 21,820,131	\$ 262,755,057	\$ 31,964,714	\$ 2,024,568
Change in net position	\$ (2,109,299)	\$ 2,912,842	\$ (44,122)	\$ 148,524

(Continued)

NOTE 12 – SUBSEQUENT EVENTS

In October 2017, the District issued 2016 General Obligation Bonds, Series A (the “Bonds”) in the amount of \$160,000,000. The Election of 2016 General Obligation Bonds, Series A were authorized at an election of the registered voters of the Chabot-Las Positas Community College District held on June 7, 2016, at which the requisite 55% of the persons voting on the proposition voted to authorize the issuance and sale of \$950,000,000 aggregate principal amount of general obligation bonds of the District. The Bonds were issued to finance the acquisition, construction, modernization and equipping of District sites and facilities, and pay the costs associated with the issuance of the Bonds. The Bonds bear interest ranging from 3.000% to 5.00% and are scheduled to mature through August 1, 2047.

REQUIRED SUPPLEMENTARY INFORMATION

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 For the Year Ended June 30, 2017

Actuarial Valuation Date	<u>Schedule of Funding Progress</u>					
	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
February 1, 2009	\$ -	\$118,122,460	\$118,122,460	0%	\$ 54,644,319	216.17%
June 1, 2011	\$ -	\$138,649,163	\$138,649,163	0%	\$ 55,796,114	248.49%
June 1, 2013	\$ -	\$124,965,238	\$124,965,238	0%	\$ 50,822,923	245.88%
April 1, 2015	\$ -	\$138,112,667	\$138,112,667	0%	\$ 43,985,336	314.00%
April 1, 2017	\$ -	\$125,360,697	\$125,360,697	0%	\$ 41,136,287	304.74%

Only five years of actuarial valuation data are provided because the District only had five valuations performed.

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

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2017

State Teacher's Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.080%	0.079%	0.077
District's proportionate share of the net pension liability	\$ 46,908,000	\$ 53,340,000	\$ 62,382,000
State's proportionate share of the net pension liability associated with the District	<u>28,326,000</u>	<u>28,211,000</u>	<u>35,516,000</u>
Total net pension liability	<u>\$ 75,234,000</u>	<u>\$ 81,551,000</u>	<u>\$ 97,898,000</u>
District's covered payroll	\$ 35,753,000	\$ 36,774,000	\$ 38,439,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131%	145%	162%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	79.43%	70.04%

The amounts presented for each fiscal year were determined as of the year end that occurred the year before.

All years prior to 2015 are not available.

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2017

Public Employers Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.213%	0.220%	0.220%
District's proportionate share of the net pension liability	\$ 24,207,000	\$ 32,476,000	\$ 43,464,000
District's covered payroll	\$ 22,346,000	\$ 24,392,000	\$ 26,402,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108%	133%	165%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	74.02%	73.89%

The amounts presented for each fiscal year were determined as of the year end that occurred the year before.

All years prior to 2015 are not available.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2017

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 3,265,492	\$ 4,124,466	\$ 5,486,952
Contributions in relation to the contractually required contribution	\$ 3,265,492	\$ 4,124,466	\$ 5,486,952
District's covered payroll	\$ 36,774,000	\$ 38,439,000	\$ 43,616,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%

All years prior to 2015 are not available.

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2017

Public Employers Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 2,871,188	\$ 3,127,817	\$ 3,915,740
Contributions in relation to the contractually required contribution	\$ 2,871,188	\$ 3,127,817	\$ 3,915,740
District's covered payroll	\$ 24,392,000	\$ 26,402,000	\$ 28,195,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%

All years prior to 2015 are not available.

NOTE 1 – PURPOSE OF SCHEDULE

A - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

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

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

C - Schedule of the District's Contributions

The Schedule of the District's contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

E - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65, and 7.65 percent in the June 30, 2013, 2014, and 2015 actuarial reports, respectively. There are no changes in assumptions reported for the State Teachers' Retirement Plan.

SUPPLEMENTARY INFORMATION

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
ORGANIZATION
June 30, 2017

Chabot-Las Positas Community College District was established on January 10, 1961, and commenced operations on September 11, 1961. There were no changes in the boundaries of the District during the current year. The District's two main colleges are each accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges.

The Governing Board and District Administration for the fiscal year ended June 30, 2017 were composed of the following members:

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Dr. Hal G. Gin	President	2018
Ms. Isobel F. Dvorsky	Secretary	2018
Mr. Carlo Vecchiarelli	Member	2020
Dr. Arnulfo Cedillo	Member	2020
Mr. Donald L. "Dobie" Gelles	Member	2018
M. Edralin J. Maduli	Member	2020
Dr. Marshall Mitzman	Member	2020

DISTRICT ADMINISTRATION

Dr. Jannett N. Jackson
Chancellor

Mr. Lorenzo Legaspi
Vice Chancellor, Business Services

Mr. Wyman M. Fong
Vice Chancellor, Human Resources

Krista R. Johns J.D.
Vice Chancellor, Educational Services and Student Success

Mr. Doug Horner
Vice Chancellor, Facilities and Bond Program

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
<i>Direct Programs:</i>			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Program (FSEOG)	84.007	-	\$ 388,313
Federal Work Study (FWS)	84.033	-	255,547
Federal Pell Grants (PELL)	84.063	-	15,865,130
Federal Direct Student Loans	84.268	-	1,681,925
Financial Aid Admin Allowance	84.063	-	<u>14,654</u>
Subtotal Financial Aid Cluster			<u>18,205,569</u>
TRIO Cluster:			
Student Support Services Aspire	84.042	P042A1010-15/16	296,170
Student Support Services ESL Excel	84.042	-	270,487
Student Support Services STEM	84.042	-	215,401
Talent Search	84.044	P044A110659	<u>240,511</u>
Subtotal TRIO Cluster			<u>1,022,569</u>
Title V Program:			
Title V - Gateway to STEM Success	84.031	-	612,354
Title V - Higher Ed Institutional Aid	84.031S	-	<u>282,369</u>
Subtotal Title V Program			<u>894,723</u>
<i>Passed through California State University, East Bay:</i>			
Fund for the Improvement of Education	84.215	P116W090134	228,727
<i>Passed through California Department of Rehabilitation:</i>			
Rehabilitation Services- Vocational Rehabilitation Grants to States	84.126	27727	103,442
<i>Passed through California Community College Chancellor's Office:</i>			
Vocational Education- Basic Grants to States	84.048	12-C01-007	<u>880,455</u>
Total U.S. Department of Education			<u>21,335,485</u>
<u>U.S Department of Labor</u>			
WIA Cluster:			
<i>Passed through Alameda County Workforce Investment Board:</i>			
Workforce Investment Act - Adult Programs	17.258	SSFPCP141501516	142,624
Workforce Investment Act- Dislocated Worker Formula Grant (Tri Valley One Stop)	17.278	900035-10685-8145	<u>205,779</u>
Subtotal WIA Cluster			<u>348,403</u>

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2017

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S Department of Labor</u> (Continued)			
Passed through Alameda County Workforce Development Board:			
Trade Adjustment Assistance Community Oakland Private Industry Council - H1B Ready to Work Project	17.268	16-17-AC-CHA-H1B-TRW	<u>\$ 41,726</u>
Total U.S. Department of Labor			<u>390,129</u>
U.S. Department of Health and Human Services			
Passed through California Department of Education:			
Early Childhood Mentor Program (CCDF Cluster)	93.575	CSPP2008	2,419,817
Passed through California Community College Chancellor's Office:			
Temporary Assistance for Needy Families Cluster	93.558	-	87,083
Passed through Child, Family, and Community Services, Inc.:			
Head Start	93.600	-	139,763
Passed through Alameda County:			
Child, Family and Community Services - Foster Care - Pride and Cari Programs	93.658	900035-10684-8146 10798-8322	33,266
Passed through University of California - Berkeley - subaward:			
Biomedical Research and Training	93.859	1R25GM095401-01-7618	<u>12,239</u>
Total U.S. Department of Health and Human Services			<u>2,692,168</u>
U.S. Department of Agriculture			
Passed through California Department of Education:			
Child and Adult Care Food Program	10.558	01-29262-1A	<u>48,296</u>
U.S. Department of Transportation			
Passed through San Francisco Bay Area Rapid Transit District			
Transit Career Ladders Training Program	20.514	CA-64-7001-00	<u>51,733</u>
U.S. Department of Treasury			
Passed through United Way			
Volunteer Income Tax Assistance (VITA) Program	21.009	2137	<u>10,000</u>
Total Federal Programs			<u>\$ 24,527,811</u>

See accompanying notes to supplementary information.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
For the Year Ended June 30, 2017

	Program Revenues			Total	Total Program Expenditures
	Cash Received*	Accounts Receivable	Deferred Income		
3CSN Foundation	\$ 68,198	\$ -	\$ -	\$ 68,198	\$ 68,198
AB104 Data and Accountability	1,508,978	-	440,445	1,068,533	1,068,533
AB 86 Regional Consortium	1,389	-	1,389	-	-
Adult Education Block Grant	354,444	-	80,408	274,036	274,036
Associated Degree for Transfer/Marketing Campaign	226,349	1,516,573	-	1,742,922	1,742,922
Basic Skills	1,392,898	38,981	855,867	576,012	486,019
Board Financial Assistance Program	694,284	-	-	694,284	694,284
Cal B Supplement	656,686	8,703	84,289	581,100	581,100
Cal Grants	1,267,578	12,300	-	1,279,878	1,279,878
California State Preschool Program	565,462	88,900	-	654,362	378,580
CalWorks	442,505	-	-	442,505	442,468
CARI Pre-Training	-	23,242	-	23,242	23,242
CDE Career Pathway Trust	808,939	264,947	30,469	1,043,417	1,043,417
CEC Microgrid	23,891	363,369	-	387,260	387,260
Child Care Training Consortium	34,852	3,172	-	38,024	30,025
CARE	147,437	-	-	147,437	147,396
CPT SVEPT-San Jose Evergreen	174,174	47,909	-	222,083	222,083
CTE Data	50,000	-	49,950	50	50
CTE Enhancement	243,554	-	-	243,554	243,554
CTE Transitions	23,027	56,229	-	79,256	79,256
Disabled Students Services (DSPS)	1,637,878	-	7,707	1,630,171	1,627,980
Economic Opportunity Programs and Services (EOPS)	1,018,984	-	-	1,018,984	1,018,984
Faculty Entrepreneurship	5,627	-	-	5,627	5,627
Foster Care Kinship	120,441	100,852	-	221,293	197,697
Industry-Driven Regional Collaborative	-	140,375	-	140,375	96,789
IEPI	4,425,637	2,694,121	171,266	6,948,492	6,444,912
Lottery	990,270	379,674	-	1,369,944	898,756
MACC Adult Education	1,172,011	10,180	393,089	789,102	550,443
MESA	36,362	30,600	-	66,962	66,962
Nursing	93,598	9,120	-	102,718	102,718
Physical Plant/Instruction Equipment	3,769,570	-	-	3,769,570	1,907,153
PRIDE	37,114	52,554	-	89,668	31,669
Rancho Santiago CCD	50,241	-	22,489	27,752	27,748
SDCCD/Alternative and Renewable Energy	-	113,758	-	113,758	113,758
Staff Diversity	66,405	-	-	66,405	6,547
Strong Workforce	9,981,902	-	5,913,120	4,068,782	4,068,782
Student Equity	2,936,697	599	622,482	2,314,814	2,314,814
Student Success and Support	5,127,088	-	137,322	4,989,766	4,989,766
California Clean Energy Jobs Act	497,456	-	486,956	10,500	10,500
Total State Programs	\$ 40,651,926	\$ 5,956,158	\$ 9,297,248	\$ 37,310,836	\$ 33,673,906

* Cash received includes funds received in prior years.

See accompanying notes to supplementary information.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF WORKLOAD MEASURES FOR
 STATE GENERAL APPORTIONMENT
 Annual Attendance as of June 30, 2017

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2016 only)			
1. Noncredit	14	-	14
2. Credit	213	-	213
B. Summer Intersession (Summer 2017) - Prior to July 1, 2016)			
1. Noncredit	-	-	-
2. Credit	86	-	86
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	11,633	-	11,633
b. Daily Census Contact Hours	624	-	624
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	151	-	151
b. Credit	261	-	261
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	2,159	-	2,159
b. Daily Census Contact Hours	484	-	484
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
D. Total FTES	<u>15,625</u>	<u>-</u>	<u>15,625</u>
Supplemental Information:			
E. In-Service Training Courses (FTES)	40	-	40
F. Basic Skills Courses and Immigrant Education			
a. Noncredit	-	-	-
b. Credit	1,002	-	1,002
<u>CCFS 320 Addendum</u>			
CDCP	-	-	-
Centers FTES			
a. Noncredit	-	-	-
b. Credit	-	-	-

See accompanying notes to supplementary information.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
(CCFS-311) WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

There were no adjustments proposed to any funds of the District.

See accompanying notes to supplementary information.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2017

General Fund	\$ 31,202,007	
Bond Interest and Redemption Fund	17,663,468	
Cafeteria Fund	39,713	
Child Development Fund	345,903	
Capital Outlay Fund	9,487,837	
Revenue Bond Construction Fund	48,315,169	
Self Insurance Fund	4,286,735	
Financial Aid Fund	269,338	
Scholarship and Trust Fund	<u>423,262</u>	
 Total Audited Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)		 \$ 112,033,432
 Amounts reported for governmental activities in the statement of net position are different because:		
 Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation are added to total net assets.		
		476,946,995
 Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt.		
		39,611,061
 In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:		
Deferred outflows of resources relating to pensions	\$ 22,974,692	
Deferred inflows of resources relating to pensions	<u>(4,575,000)</u>	
		18,399,692
 Unmatured interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		
		(9,530,912)
 Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2017 consisted of:		
General Obligation Bonds	\$ (536,465,000)	
Bond premiums	(64,146,247)	
Net pension liability	(105,846,000)	
OPEB liability	(57,235,447)	
Compensated absences	<u>(2,095,393)</u>	
		<u>(765,788,087)</u>
Total net position - business-type activities		<u>\$ (128,327,819)</u>

See accompanying notes to supplementary information.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the Year Ended June 30, 2017

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional salaries:							
Contract or regular	1100	\$ 21,601,280	\$ -	\$ 21,601,280	\$ 21,819,950	\$ -	\$ 21,819,950
Other	1300	<u>19,806,965</u>	<u>-</u>	<u>19,806,965</u>	<u>19,807,757</u>	<u>-</u>	<u>19,807,757</u>
Total instructional salaries		<u>41,408,245</u>	<u>-</u>	<u>41,408,245</u>	<u>41,627,707</u>	<u>-</u>	<u>41,627,707</u>
Non-instructional salaries:							
Contract or regular	1200	-	-	-	8,096,128	-	8,096,128
Other	1400	<u>-</u>	<u>-</u>	<u>-</u>	<u>398,472</u>	<u>-</u>	<u>398,472</u>
Total non-instructional salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>8,494,600</u>	<u>-</u>	<u>8,494,600</u>
Total academic salaries		<u>41,408,245</u>	<u>-</u>	<u>41,408,245</u>	<u>50,122,307</u>	<u>-</u>	<u>50,122,307</u>
<u>Classified Salaries</u>							
Non-instructional salaries:							
Regular status	2100	-	-	-	17,937,381	-	17,937,381
Other	2300	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,593,434</u>	<u>-</u>	<u>1,593,434</u>
Total non-instructional salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>19,530,815</u>	<u>-</u>	<u>19,530,815</u>
Instructional aides:							
Regular status	2200	964,700	-	964,700	1,063,996	-	1,063,996
Other	2400	<u>107,679</u>	<u>-</u>	<u>107,679</u>	<u>107,679</u>	<u>-</u>	<u>107,679</u>
Total instructional aides		<u>1,072,379</u>	<u>-</u>	<u>1,072,379</u>	<u>1,171,675</u>	<u>-</u>	<u>1,171,675</u>
Total classified salaries		<u>1,072,379</u>	<u>-</u>	<u>1,072,379</u>	<u>20,702,490</u>	<u>-</u>	<u>20,702,490</u>
Employee benefits	3000	19,082,701	-	19,082,701	29,035,539	-	29,035,539
Supplies and materials	4000	-	-	-	1,186,358	-	1,186,358
Other operating expenses	5000	-	-	-	9,466,755	-	9,466,755
Equipment replacement	6420	<u>-</u>	<u>-</u>	<u>-</u>	<u>542,823</u>	<u>-</u>	<u>542,823</u>
Total expenditures prior to exclusions		<u>\$ 61,563,325</u>	<u>\$ -</u>	<u>\$ 61,563,325</u>	<u>\$111,056,272</u>	<u>\$ -</u>	<u>\$111,056,272</u>

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the Year Ended June 30, 2017

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	171,246	-	171,246
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	-	-	-
Objects to exclude:							
Rents and leases	5060	-	-	-	114,397	-	114,397
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Supplies and materials:							
Software	4100	-	-	-	-	-	-
Books, magazines and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Noninstructional supplies and materials	4400	-	-	-	-	-	-
Total supplies and materials		-	-	-	-	-	-
Other operating expenses and services	5000	-	-	-	-	-	-
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Equipment:							
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
Total exclusions		\$ -	\$ -	\$ -	\$ 285,643	\$ -	\$ 285,643
Total for ECS 84362, 50% Law		\$ 61,563,325	\$ -	\$ 61,563,325	\$ 110,770,629	\$ -	\$ 110,770,629
Percent of CEE (instructional salary cost /Total CEE)		55.58%	-	55.58%	100.00%	-	100.00%
50% of current expense of education					\$ 55,385,314	\$ -	\$ 55,385,314

See accompanying notes to supplementary information.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 PROPOSITION 55 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
 For the Year Ended June 30, 2017

EPA Proceeds:	\$13,519,570				
<u>Activity Classification</u>	<u>Activity Code (0100-5900)</u>	<u>Salaries and Benefits (1000-3000)</u>	<u>Operating Expenses (4000-5000)</u>	<u>Capital Outlay (6000)</u>	<u>Total</u>
Instructional Activities	\$ -	\$13,519,570	\$ -	\$ -	\$13,519,570

See accompanying notes to supplementary information.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION

NOTE 1 – PURPOSE OF SCHEDULES

A - Schedule of Expenditures of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Chabot-Las Positas Community College District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Education Institutions or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

B - Schedule of State Financial Awards

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

C - Schedule of Workload Measures for State General Apportionment

Full-time equivalent students is a measurement of the number of students 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 are made to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

D - 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 CCFS-311 to the audited financial statements.

E - Reconciliation of Governmental funds to the Statement of Net Position

This schedule provides the information necessary to reconcile the fund balances to the audited financial statements.

F - Reconciliation of ECS 84362 (50 Percent Law) Calculation

This schedule provides the information necessary to reconcile the 50 Percent Law Calculation reported on the CCFS-311 to the audited data.

G - Proposition 55 Education Protection Account (EPA) Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes how the EPA proceeds were spent.

INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Chabot-Las Positas Community College District
Dublin, California

Report on Compliance with State Laws and Regulations

We have audited the compliance of Chabot-Las Positas Community College District with the types of compliance requirements described in Section 400 of the *California State Chancellor's Office's California Community College Contracted District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2017:

- Salaries of Classroom Instructors (50 Percent Law)
- Apportionment for Instructional Service Agreements/Contracts
- State General Apportionment Funding System
- Residency Determination for Credit Courses
- Students Actively Enrolled
- Dual Enrollment of K-12 Students in Community College Credit
- Student Equity
- Student Success and Support Program (SSSP)
- Scheduled Maintenance Program
- Gann Limit Calculation
- Open Enrollment
- Proposition 39 Clean Energy
- Intersession Extension Program
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D State Bond Funded Projects
- Proposition 55 Education Protection Account Funds

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on Chabot-Las Positas Community College District's compliance with state laws and regulations as listed above 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 *California State Chancellor's Office's California Community College Contracted District Audit Manual* (Audit Manual). Those standards and the Audit Manual require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Chabot-Las Positas Community College District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Chabot-Las Positas Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with State laws and regulations. However, our audit does not provide legal determination of Chabot-Las Positas Community College District's compliance with those requirements.

(Continued)

Opinion on Compliance with State Laws and Regulations

In our opinion, Chabot-Las Positas Community College District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Contracted District Audit Manual and is described in the accompanying Schedule of Audit Findings and Questioned Costs as item 2017-001. Our opinion on State Laws and Regulations is not modified with respect to this matter.

Chabot-Las Positas Community College District's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Chabot-Las Positas Community College District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Purpose of this Report

This report is intended solely to describe the scope of our testing of compliance and the results of that testing based on requirements of the *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 17, 2017

(Continued)

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
Chabot-Las Positas Community College District
Dublin, 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 and fiduciary activities of Chabot-Las Positas Community College District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Chabot-Las Positas Community College District's basic financial statements, and have issued our report thereon dated November 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chabot-Las Positas Community College District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chabot-Las Positas Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of Chabot-Las Positas Community College District's internal control.

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

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

Compliance and Other Matters

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

(Continued)

Purpose of this Report

The purpose of this 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 17, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
Chabot-Las Positas Community College District
Dublin, California

Report on Compliance for Each Major Federal Program

We have audited Chabot-Las Positas Community College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Chabot-Las Positas Community College District's major federal programs for the year ended June 30, 2017. Chabot-Las Positas Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Chabot-Las Positas Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chabot-Las Positas Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Chabot-Las Positas Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 17, 2017

FINDINGS AND RECOMMENDATIONS

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered
to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements
noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered
to be material weakness(es)? _____ Yes X None reported

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

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.268 93.575 84,042, 84.044 84.031, 84.031S	Student Financial Aid Cluster Early Childhood Mentor Program TRIO Cluster Title V Program

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

STATE AWARDS

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

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2017-001 STATE COMPLIANCE - STUDENT SUCCESS SUPPORT PROGRAM ("SSSP")

Criteria

Per the 2016 Student Success and Support Program Handbook, Chapter 3, Colleges are also required to submit the SSSP Year-End Expenditures Report. Separate reports must be completed for credit and noncredit SSSP and are due after the conclusion of the fiscal year. Due to carry-over in recent fiscal years, the report for fiscal year 2015-16 was due by February 10, 2017. This report includes the actual expenditures of state funds and other resources to support the SSSP at the college.

Condition

Las Positas College (the "College") did not submit the 2015-16 year-end expenditure report by the required deadline. The report was submitted in June 2017.

Effect

District is not in compliance with the year-end reporting requirements for SSSP.

Cause

The College did not complete and submit the year-end expenditure report before the deadline.

Fiscal Impact

Not determinable.

Recommendation

The College should design controls to ensure reports are completed and submitted in a timely manner.

Views of Responsible Officials and Planned Corrective Actions

The audit finding is correct. Las Positas College did not submit the report until June 2017 when it was discovered that our report was overdue after consultation with the Chancellor's Office. Nessa Julian, Director of Student Equity & Success, was hired at Las Positas College in April 2017 and William Garcia, Vice President of Student Services, joined the college in May 2017. We have developed a timeline and checklist in summer 2017 for us to ensure compliance with report submission deadlines moving forward. Nessa serves as the primary contact for both Student Equity (SE) and Student Success and Support Program (SSSP) at Las Positas College.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Fully Implemented</u>
2016-001		
<u>Condition:</u> We found 2 of the total population of 23 Physical Education credit courses claimed for apportionment that contained more than 10 percent enrollment of K-12 Students at Las Positas College.	Implemented.	
<u>Recommendation:</u> The District should design and implement controls to accurately track concurrently enrolled students claimed for apportionment.		