

# **Siskiyou Joint Community College District**

**Weed, California**

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITORS' REPORTS

**June 30, 2016**



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# Siskiyou Joint Community College District

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Siskiyou Joint Community College District  
Weed, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Siskiyou Joint Community College District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The District's 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.

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

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

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the District as of June 30, 2016, and the respective changes in financial position and cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

***Required Supplementary Information*** Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information*** Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information on pages 62 to 72 and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 62 to 72 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*KCae Team, LLP*

November 28, 2016  
Chico, California

## **FINANCIAL SECTION**



## **USING THIS ANNUAL REPORT**

As required by Governmental Accounting Standards Board (GASB) accounting principles, the annual report consists of three basic financial statements that provide information on the District's activities as a whole: The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The Statement of Net Position presents the assets, liabilities, and net position of the District as of the end of the fiscal year using the accrual basis of accounting, which is comparable to the accounting basis used by most private-sector institutions. Net position – the difference between assets and liabilities – are one way to measure the financial health of the District. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities, which are supported mainly by State apportionment, property taxes, and other revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to students and the public. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

## **FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities by \$6.1 million in 2015-16 and \$5.7 million in 2014-15.
- At the close of the 2016 and 2015 fiscal years, the balance designated for economic uncertainties and the undesignated fund balance for the General Fund exceeded the State Chancellor's Office guideline of 5% of the General Fund expenses.
- Full-Time Equivalent Students (FTES) for 2015-16 and 2014-15 were 2,819 and 2,540, respectively. Through various programs like the Siskiyou Promise, REG 365 and the Career Pathways Trust Grant, the District is looking to continue to increase its base enrollments while being more efficient through consolidated class offerings and managed class sizes.
- For the 2016 and 2015 fiscal years, total student financial aid offered to qualifying students throughout the District exceeded \$5.79 million and \$5.95 million, respectively, and is provided through grants and loans from the federal government, State Chancellor's Office, and local funding.
- Cost of employee benefits has stabilized for 2015-16 and 2014-15 under the contract with California Valued Trust (CVT) for health and prescription coverage. This has also allowed the District to fully fund its Annual Required Contribution (ARC) for its retiree health benefit liability for both years and start to pay down its liability for past service credit of those retirees for 2015-16.



## **Siskiyou Joint Community College District**

### MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

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- The District continues to make its scheduled payments on the Dorm Revenue Bond and its capital equipment lease. Based on the District's current debt schedule, the District would be debt free, except for the general obligation bonds, by April 2018. However, with the District's commitment to revitalize the District-wide software system, it will most likely be necessary to incur additional debt to completely fund the two to three year project.
- The occupancy rate for our lodges averaged approximately 76% for the 2015-16 academic year, with the Fall semester being more heavily utilized than the Spring semester. The lodges continue to supplement the academic year activities with successful summer programs involving local groups as well as groups from out of the area. Most notably are the Siskiyou County Upward Bound program, the National Outdoor Leadership group (NOLS), and the Santa Clara Vanguard Marching Band.

**Siskiyou Joint Community College District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Condensed District-wide financial information is as follows:

**NET POSITION**

June 30	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and investments	\$ 7,919,858	\$ 2,152,672
Inventory, short-term receivables and other assets	3,925,495	3,372,835
<b>Total Current Assets</b>	<b>11,845,353</b>	<b>5,525,507</b>
<b>Noncurrent Assets</b>		
Restricted cash and investments	5,160,153	4,636,467
Capital assets - net of depreciation	39,235,023	39,956,237
Non-depreciable capital assets	441,206	223,139
<b>Total Noncurrent Assets</b>	<b>44,836,382</b>	<b>44,815,843</b>
<b>TOTAL ASSETS</b>	<b>56,681,735</b>	<b>50,341,350</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding	666,427	713,747
Deferred outflows from pensions	1,577,859	847,079
<b>Total deferred outflow of resources</b>	<b>2,244,286</b>	<b>1,560,826</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	5,001,216	2,612,287
Advances from grantors and students	3,296,007	1,371,002
Long-term liabilities - current portion	468,174	829,570
<b>Total Current Liabilities</b>	<b>8,765,397</b>	<b>4,812,859</b>
<b>Noncurrent Liabilities</b>		
Long-term liabilities	41,794,750	39,794,677
<b>Total Liabilities</b>	<b>50,560,147</b>	<b>44,607,536</b>
<b>DEFERRED INFLOWS OF RESOURCES FROM PENSIONS NET</b>	<b>1,116,854</b>	<b>2,585,842</b>
<b>Net Position</b>		
Net investment in capital assets	14,070,172	13,657,452
Restricted	3,944,219	3,574,365
Unrestricted	(10,765,371)	(12,523,017)
<b>Total Net Position</b>	<b>\$ 7,249,020</b>	<b>\$ 4,708,800</b>

# Siskiyou Joint Community College District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

This schedule has been prepared from the District's Statement of Net Position (page 17), which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Cash and short-term investments consist primarily of funds held in the Siskiyou County Treasury and U.S. Bank. The changes in the cash position are explained in the Statement of Cash Flows (pages 19 and 20).

Long-term liabilities consist of the 2005 General Obligation Bonds, the Dorm Revenue Bond, a five-year interim note to assist in financing the new science building and the Series 2014 general obligation refunding bonds. The current portion represents the amount of principal to be paid within the next year.

### OPERATING RESULTS

Years Ended June 30	2016	2015
<b>Operating Revenues</b>		
Tuition and fees - net of scholarship discount and allowance	\$ 3,261,502	\$ 2,765,860
Grants and contracts	5,427,440	3,277,202
Auxiliary services	532,292	442,412
<b>Total Operating Revenues</b>	<b>9,221,234</b>	<b>6,485,474</b>
<b>Operating Expenses</b>		
Salaries and benefits	14,964,385	13,236,392
Supplies and maintenance	10,284,853	6,416,565
Depreciation	1,754,786	1,670,832
<b>Total Operating Expenses</b>	<b>27,004,024</b>	<b>21,323,789</b>
<b>Operating Loss</b>	<b>(17,782,790)</b>	<b>(14,838,315)</b>
<b>Nonoperating Revenues</b>		
State apportionments	13,093,047	8,701,131
EPA apportionment	2,879,605	2,717,178
Local property taxes	3,489,796	3,349,112
State taxes and other revenue	604,405	466,212
Financial aid revenues	5,538,308	5,763,314
Financial aid expenses	(5,710,906)	(5,959,894)
Interest income	116,371	52,590
Bond refunding - cost of issuance	-	(215,785)
Other nonoperating revenues and transfers	-	184,198
<b>Total Nonoperating Revenues</b>	<b>20,010,626</b>	<b>15,058,056</b>
<b>Other Revenues</b>		
Capital revenue and expense	312,386	313,817
<b>Net Increase in Net Position</b>	<b>\$ 2,540,222</b>	<b>\$ 533,558</b>

# Siskiyou Joint Community College District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

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This schedule has been prepared from the Statement of Revenues, Expenses, and Changes in Net Position (page 18).

Auxiliary revenues consist of bookstore and cafeteria sales and charges. Room and board for the students are not part of auxiliary revenue, but are included in tuition and fees under operating revenues. These operations are intended to be self-supporting through student related activities.

Grant and contract revenues relate to specific federal and State grants received for programs serving the students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

For 2016 and 2015, the District is recording the depreciation expense related to capital assets. The detail of the changes in capital assets for the year is included in the notes to the financial statements as note 4.

### STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and any potential need for external financing. This schedule is prepared from the Statement of Cash Flows presented on pages 19 and 20.

Years Ended June 30	2016	2015
<b>CASH PROVIDED BY (USED) IN</b>		
Operating activities	\$ (14,244,624)	\$ (13,595,162)
Noncapital financing activities	21,666,753	16,547,613
Capital financing activities	(1,234,802)	(2,318,333)
Investing activities	103,545	52,928
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 6,290,872</b>	<b>\$ 687,046</b>

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

While State apportionment and property taxes are the primary source of non-capital related revenue, the GASB accounting standards require that this source of revenue is shown as non-operating revenue as it comes from the general resources of the State and not from the primary users of College programs and services (students). The District depends on this funding as the primary source of funds to continue the current level of operations.

# Siskiyou Joint Community College District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

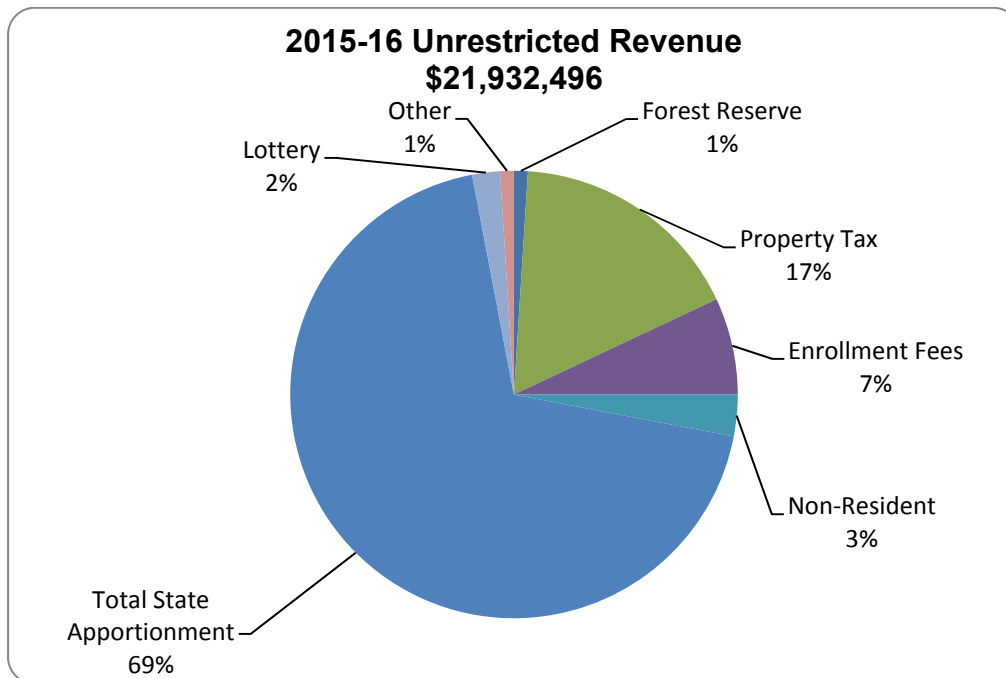
### UNRESTRICTED GENERAL FUND SELECTED FINANCIAL INFORMATION

#### Revenues

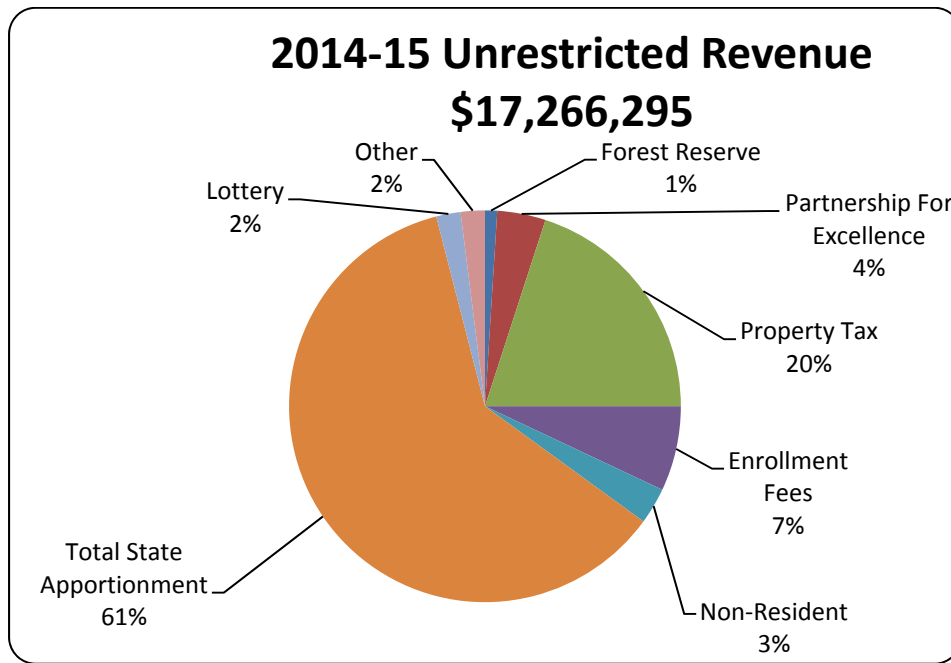
The District's major sources of unrestricted revenues include State apportionment, property taxes, enrollment fees, mandated cost reimbursements, and lottery proceeds. The primary basis of the apportionment component is the calculation of full-time equivalent students (FTES).

Of the revenue sources, State apportionment, property taxes, and enrollment fees are District General Revenues and commonly referred to as the "base revenue" to which adjustments for COLA, program improvement, growth, restoration, and any applicable deficit factor is applied. Adjustments to the "base revenue" are typically calculated twice each fiscal year and distributed through the First Principal Apportionment Statement (P1) in mid-February and the Second Principal Apportionment Statement (P2) in early June of each fiscal year.

In fiscal years 2016 and 2015, the District's actual unrestricted General Fund revenues totaled \$21,932,496 and \$17,266,295, respectively.



**Siskiyou Joint Community College District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 (Continued)



June 30	2016	2015
General apportionment	\$ 10,862,079	\$ 7,367,606
Education protection account	2,879,605	2,717,178
Growth	1,334,398	-
Restoration	5,520	1,112,387
<b>Subtotal General Apportionment</b>	<b>15,081,602</b>	<b>11,197,171</b>
Property taxes	3,640,392	3,498,039
Enrollment fees	1,535,023	1,220,715
<b>Total Apportionment Revenues</b>	<b>20,257,017</b>	<b>15,915,925</b>
Lottery	429,764	292,140
Nonresident tuition	621,584	581,319
Part-time faculty compensation	102,105	51,209
Forest reserve	120,562	129,584
Transfers	62,725	61,231
Other*	338,739	234,887
<b>Total Other Revenue</b>	<b>1,675,479</b>	<b>1,350,370</b>
<b>Total Unrestricted General Fund Revenue</b>	<b>\$ 21,932,496</b>	<b>\$ 17,266,295</b>

\* Includes community service fees, material and activity fees, indirect program fees, and miscellaneous.

## **Siskiyou Joint Community College District**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Continued)

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There was a significant increase in the general fund apportionment from 2014-15 to 2015-16 from several key components. The District's total FTES grew by over 275 full time equivalent students mainly through a surge in San Francisco Police Academy and FIELD ESL classes. This produced additional apportionment exceeding \$1.3 million. A second factor was the State's system-wide increase to the foundational base funding which is part of the apportionment calculation. The final major component was a significant one-time increase in Mandated Cost funding. While the District has been receiving a block grant of approximately \$70,000 each year towards mandated costs, for 2015-16, the State increased these funds to the system of which College of the Siskiyous received nearly \$1.5 million.

The State has moved away from funding the California Community College system with Cost of Living (COLA) increases toward growth funding and restricted funding for specific purposes. For 2015-16 and 2014-15, the COLA provided by the State was 0.00% and .85%, respectively. In lieu of COLA increases, the State allocated funds to help offset the large increases to the STRS and PERS rates. The District's share of these additional funds totaled nearly \$1.4 million for 2015-16.

Part-time faculty funding, specifically for the improvement of part-time salaries and benefits, increased to \$102,105 for 2015-16 and was \$51,209 for 2014-15. In an attempt to enhance full-time faculty hiring throughout the system, the State provided additional funding in 2015-16 specifically for hiring new full time faculty. The District received \$157,374 for this purpose and was able to utilize these funds to hire additional staff in 2015-16 leading into the fall 2016 semester.

#### **Expenses**

The District expenses in the unrestricted General Fund were to provide classroom instruction, counseling and student support services, physical plant related activities, administration, and general support services. For the fiscal years ended June 30, 2016 and 2015, the expenses totaled \$20,251,389 and \$16,841,215, respectively.

#### **Expenses by Activity**

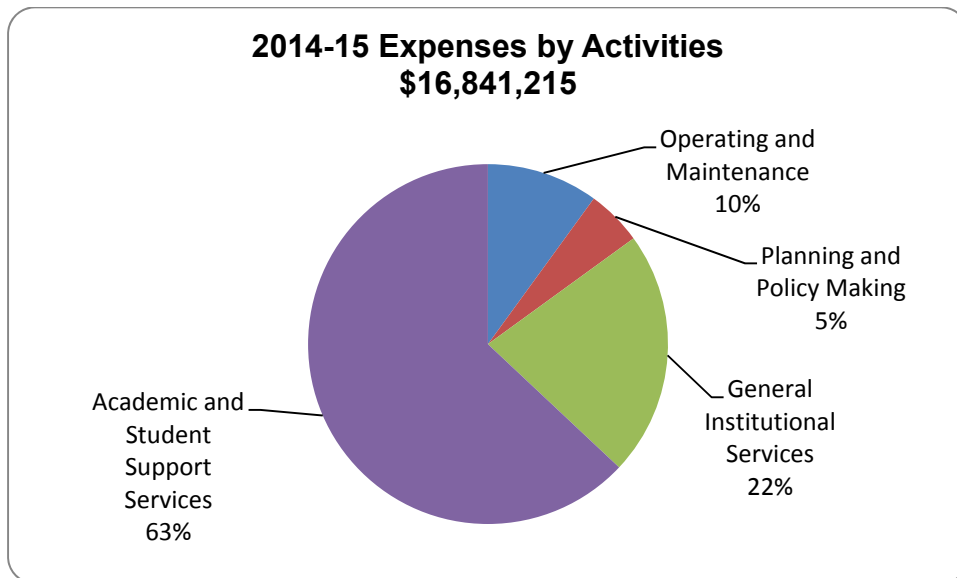
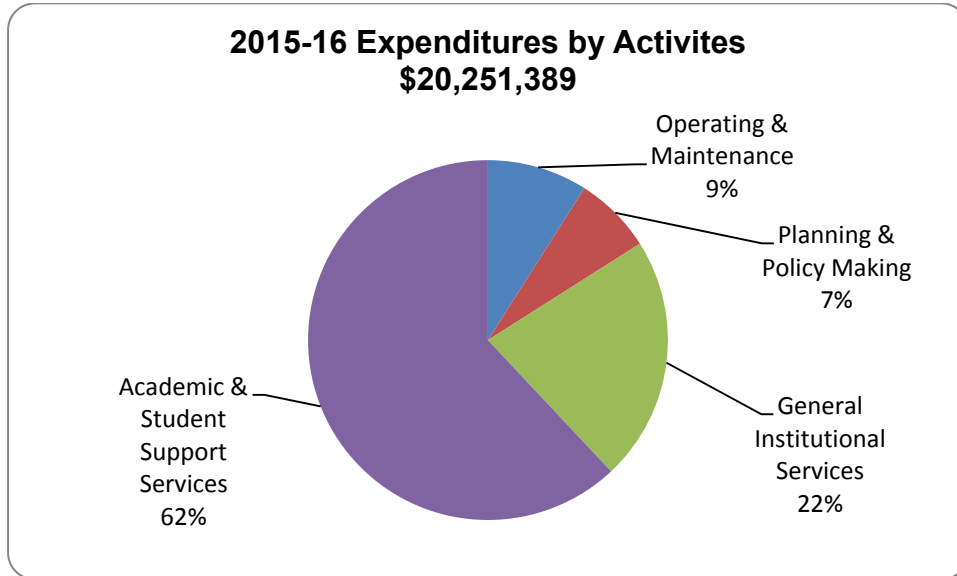
Expenses by activity represent the District's expenses by *category* regrouped by program activity. Academic and Student support services include the costs for instructional and student support activities. General institutional services include Business and Administrative services, Human Resources, Information Technology, Collective Bargaining, Police, Insurance, and Retiree Health Care costs. Operating and Maintenance include buildings and grounds. Planning and Policy Making include the Chancellor's Office, Research and Planning, Government Relations, Public Information, and Development.

# Siskiyou Joint Community College District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

The pie chart, "Expenses by Activities," summarizes program outlays under this definition for the 2015-16 and 2014-15 periods.





**Siskiyou Joint Community College District**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
(Continued)

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**Expense Comparison by Category**

The District reports expenses by object code category in accordance with California State Chancellor’s Office guidelines as follows:

June 30	2016	2015
Certificated salaries	\$ 5,467,505	\$ 5,738,092
Classified salaries	3,455,651	2,785,980
Benefits	4,124,420	3,291,393
<b>Subtotal Salaries and Benefits</b>	<b>13,047,576</b>	<b>11,815,465</b>
Books and supplies	281,448	343,854
Services and operating expenses	5,408,797	4,063,803
Capital outlay	359,692	202,320
Other outgo	1,153,876	415,773
<b>Subtotal</b>	<b>7,203,813</b>	<b>5,025,750</b>
<b>Total Expenditures</b>	<b>\$ 20,251,389</b>	<b>\$ 16,841,215</b>

- Net expenses for certificated salaries decreased slightly from 2015 to 2016. The standard step and column increases were offset from vacant or temporarily vacant positions as well as a shift from using part-time faculty to using instructional aides within the athletic programs.
- Net expenses for classified salaries increased significantly from 2015 to 2016 due to many new hires as well as the implementation of the Classified and Administrative Support /Management salary study. The results of the study revealed the wages of most classified employees were an average of 18% below the comparable entities in the study.
- A shift from self-insurance to California Valued Trust (CVT) in 2014, which included a hard cap on health benefit costs, has continued to stabilize fringe benefit costs for 2016 and 2015. The increase in benefit costs stems from hiring additional full-time faculty and staff and from the District fully funding its Annual Required Contribution (ARC) as it relates to its Other Post Employment Benefit (OPEB) liabilities for District retirees who are eligible for lifetime health benefits as well as paying additional amounts toward the past service cost liability.
- Expenses for services and other operating expenses increased by nearly 15% from 2015 to 2016, due primarily from the growth of the District’s instructional service agreements with the San Francisco Police Academy supported by the increase in apportionment revenue from the increase in FTES. One-time purchases for capital outlay expenses grew by 78%, also supported by additional FTES apportionment revenue. Through the Proposition 39 program funds, the District anticipates continued savings in utilities costs or at least cost avoidance in future years. Proposition 39 energy saving projects include exterior lighting (complete), gymnasium heating and air conditioning controls (complete), boiler replacements, and occupancy sensors in the lodges.

# Siskiyou Joint Community College District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

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- Expenses in "Other Outgo" include transfers to the Capital Outlay Fund (41) for one-time improvement projects as well as transfers to the Debt Service Fund (21) for the existing loan and lease payments. The increase is primarily due to transfers to fund the multi-year Ellucian (Banner) Revitalization project. The growth in FTES for 2015-16 allowed for these project transfers.

### Net Position and Net Position Classifications

June 30	2016		2015	
Net investment in capital assets	\$	14,070,172	\$	13,657,452
Restricted		3,944,219		3,574,365
Unrestricted		(10,765,371)		(12,523,017)
<b>Ending Net Position</b>	<b>\$</b>	<b>7,249,020</b>	<b>\$</b>	<b>4,708,800</b>

### COLLEGE OF THE SISKIYOU'S AUXILIARY FOUNDATION

The Auxiliary Foundation was established as a 501(c)(3) non-profit charitable organization in 1992 to provide a vehicle for financial support from the community and beyond. It supports the mission and values of College of the Siskiyous by fostering community relationships and raising funds to enhance exceptional learning environments. This is accomplished through fundraising events, soliciting donations and contributions, and dispensing funds to support the College of the Siskiyous students and programs.

Throughout the year the Foundation conducts or assists campus personnel in a variety of friend-raising and fund-raising activities including the Campus Employee Campaign, Annual Giving Campaign, Scholarship Fundraising Dinner, Golf Tournament, and Country Christmas Holiday Craft Fair. Additionally, the Foundation serves as fiscal sponsor for numerous campus clubs, manages the Scholarship program, and coordinates and funds the Performing Arts Series and the campus Mini-Grant Program.

The Foundation manages fiscal sponsorships that generate income for the Foundation, including the COS Extension (Community Education) course offerings as well as the Eagle's Nest Resale shop. The Eagle's Nest shop has a paid manager and is staffed by numerous volunteers and student employees at its downtown Weed location. The shop provides a training site for students and helps to meet the retail needs of Weed and its surrounding community. COS Extension program duties are the responsibility of the Foundation's executive director and generates approximately \$10,000 annually.

The Foundation manages approximately 35 endowed scholarships valued at over \$1.0 million, as well as the Rural Health Sciences Institute (RHSI) Program endowment, valued at nearly \$1.6 million. The RHSI endowment was funded through a variety of sources: a 2006 Title III federal grant; funds contributed by local foundations; and COS Foundation fundraising activities from individuals and businesses. The endowment helps support the annual technology and maintenance needs of the RHSI and has provided annual funding of \$54,215 for 2013-14, \$61,231 for 2014-15, and \$62,725 for 2015-16.

## **Siskiyou Joint Community College District**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Continued)

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In January 2016, the COS Foundation, along with the College of the Siskiyous developed a new scholarship called the "*Siskiyou Promise*" for graduates of Siskiyou and Modoc County high schools. The Siskiyou Promise Scholarship is offered to every Siskiyou County and Modoc County high school graduate who enrolls at COS the fall semester immediately following their high school graduation. (Class of 2016 was the first class eligible to apply for the Siskiyou Promise). The first cohort of Siskiyou Promise students began in fall 2016 with 113 eligible students. The *Siskiyou Promise – First Year Experience* pays tuition and fees for fall and spring semesters, and also provides a \$200 book voucher each semester. Beginning in fall 2017, the COS Foundation will not only support the First Year Experience, but will also support a *Second Year Continuation* scholarship for students who successfully complete their First Year Experience as a Siskiyou Promise student. Funding for the Siskiyou Promise scholarship is provided through existing accounts, donations and contributions, and fundraising activities such as the annual Scholarship Fundraising Dinner and participation in the North State Giving Tuesday event held the last Tuesday of November each year.

### **ECONOMIC FACTORS AFFECTING THE SISKIYOU JOINT COMMUNITY COLLEGE DISTRICT**

The economic position of College of the Siskiyous is closely tied to the state of California as State apportionments and property taxes allocated to the District represent approximately 86% of the total unrestricted resources of revenues received by the District.

The state of California has been experiencing modest growth, but is expected to slow a bit in the next year. The system was allocated 2% growth for 2016-17 and has requested that same percentage for 2017-18. The Board of Governors has approved the 2017-18 budget request from the Chancellor's office and it has been forwarded to the Governor. There are no new programs being proposed at this time but possible changes to existing programs. The changes in discussion are not expected to have additional cost effects on the Districts. It is the hope of the District that we will experience some growth in FTES in the current year which will allow for additional funding and betterment of our programs here at College of the Siskiyous as we go forward.

With the passage of Proposition 55, schools should experience some stabilization of funding that was feared to be reduced as portions of Proposition 30 expire in December 2016. While the loss in sales taxes may still have an effect, the extension and changes to state income taxes will help to offset those losses.

We recognize that as programs and facilities are added, financial responsibilities also increase. We also understand that state funding may not completely meet these added responsibilities. In support of the District's mission, the College's Auxiliary Foundation has provided consistent support of District programs and needs through the Rural Health Sciences Institute endowment established under the Title III grant a number of years ago. One-half of the net earnings produced by the endowment each year may be used to support facility and program needs of the Rural Health Sciences Institute. The endowment contributed \$62,725 to the 2015-16 budget. During 2015-16 there were not enough earnings to allow for a contribution to the District in 2016-17 staying in compliance with the grant restrictions.

**Siskiyou Joint Community College District**  
**STATEMENT OF NET POSITION**

June 30, 2016	District	Foundation
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 7,919,858	\$ 505,206
Accounts receivable - net	3,045,800	8,791
Due from Foundation	297,028	-
Inventory and prepaids	582,667	2,000
<b>Total Current Assets</b>	<b>11,845,353</b>	<b>515,997</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	5,160,153	-
Investments	-	2,921,173
Beneficial interest in remainder trusts	-	262,475
Depreciable capital assets - net	39,235,023	-
Nondepreciable capital assets	441,206	-
<b>Total Noncurrent Assets</b>	<b>44,836,382</b>	<b>3,183,648</b>
<b>TOTAL ASSETS</b>	<b>56,681,735</b>	<b>3,699,645</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding	666,427	-
Deferred outflows from pensions	1,577,859	-
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>2,244,286</b>	<b>-</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	4,587,201	13,193
Advances from grantors and students	3,296,007	31
Due to District	-	297,028
Amounts held for others	125,404	-
Estimated liability for claims and claims adjustment expense	13,858	-
Compensated absences - current portion	274,753	-
Long-term debt - current portion	468,174	-
<b>Total Current Liabilities</b>	<b>8,765,397</b>	<b>310,252</b>
<b>Noncurrent Liabilities</b>		
Compensated absences - noncurrent portion	91,583	-
Other postemployment benefits obligation	1,587,235	-
Net pension benefit liability	11,156,414	-
Long-term debt - noncurrent portion	28,959,518	-
<b>Total Noncurrent Liabilities</b>	<b>41,794,750</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>50,560,147</b>	<b>310,252</b>
<b>DEFERRED INFLOWS OF RESOURCES FROM PENSIONS</b>	<b>1,116,854</b>	<b>-</b>
<b>NET POSITION</b>		
Net investment in capital assets	14,070,172	-
Restricted:		
Nonexpendable	-	590,957
Expendable	3,944,219	2,555,138
Unrestricted	(10,765,371)	243,298
<b>TOTAL NET POSITION</b>	<b>\$ 7,249,020</b>	<b>\$ 3,389,393</b>

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

**Siskiyou Joint Community College District**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

Year Ended June 30, 2016	District	Foundation
<b>Operating Revenues</b>		
Tuition and fees	\$ 4,401,060	\$ 267,236
Less: Scholarship discounts and allowances	(1,139,558)	-
<b>Tuition and Fees - Net</b>	<b>3,261,502</b>	<b>267,236</b>
Grants and contracts - noncapital:		
Federal	744,935	-
State	4,157,613	150
Local	524,892	-
Auxiliary enterprise sales and charges	532,292	-
<b>Total Operating Revenues</b>	<b>9,221,234</b>	<b>267,386</b>
<b>Operating Expenses</b>		
Salaries	10,414,234	69,418
Employee benefits	4,550,151	27,621
Supplies, materials, and other operating expenditures and services	9,196,433	247,156
Payments to students	271,022	32,025
Utilities	817,398	10,250
Depreciation	1,754,786	-
<b>Total Operating Expenses</b>	<b>27,004,024</b>	<b>386,470</b>
<b>Operating Loss</b>	<b>(17,782,790)</b>	<b>(119,084)</b>
<b>Nonoperating Revenues (Expenses)</b>		
State apportionment - noncapital	13,093,047	-
Education protection account revenue - noncapital	2,879,605	-
Local property taxes - noncapital	3,489,796	-
State taxes and other revenues - noncapital	604,405	-
Investment income (expense) - noncapital	116,371	(11,605)
Financial aid revenues - federal	5,336,816	-
Financial aid revenues - state	201,492	-
Financial aid expenses	(5,710,906)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>20,010,626</b>	<b>(11,605)</b>
<b>Income (Loss) Before Other Revenues and Expenses</b>	<b>2,227,836</b>	<b>(130,689)</b>
<b>Other Revenues, Expenses, Gains, or Losses</b>		
Investment income - capital	7,153	-
Local property taxes and revenues - capital	1,602,435	-
Interest expense - capital	(1,297,202)	-
<b>Total Other Revenues, Expenses, Gains, or Losses</b>	<b>312,386</b>	<b>-</b>
<b>Change in Net Position</b>	<b>2,540,222</b>	<b>(130,689)</b>
<b>Net Position - Beginning of Year</b>	<b>4,708,798</b>	<b>3,520,082</b>
<b>Net Position - End of Year</b>	<b>\$ 7,249,020</b>	<b>\$ 3,389,393</b>

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

**Siskiyou Joint Community College District**  
**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2016	District	Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 2,769,191	\$ 264,602
Federal grants and contracts	902,033	150
State grants and contracts	4,348,118	96,122
Local grants and contracts	573,667	13,028
Payments to/on behalf of employees	(10,078,888)	(69,418)
Payments for benefits	(4,581,421)	(27,621)
Payments to suppliers	(7,493,784)	(300,242)
Payments for utilities	(817,398)	(10,250)
Auxiliary enterprise sales and charges	507,963	900
Other receipts (payments)	(374,105)	89,889
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(14,244,624)</b>	<b>57,160</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionment - noncapital	14,873,636	-
Education protection account revenue - noncapital	2,879,605	-
Local property taxes - noncapital	3,489,796	-
State taxes and other revenues - noncapital	596,314	-
Financial aid receipts - federal	5,336,816	-
Financial aid receipts - state	201,492	-
Financial aid disbursements	(5,710,906)	-
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>21,666,753</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Local property taxes - capital	1,602,435	-
Proceeds from TRANS	1,270,000	-
Purchases of capital assets	(1,251,639)	-
Interest on capital debt	(970,294)	-
Principal paid on capital debt	(615,304)	-
Principal paid on TRANS	(1,270,000)	-
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,234,802)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	-	(135,654)
Proceeds from sale of investments	-	96,851
Interest on investments	103,545	133,537
<b>CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>103,545</b>	<b>94,734</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>6,290,872</b>	<b>151,894</b>
<b>Cash and Cash Equivalents Balance - Beginning of Year</b>	<b>6,789,139</b>	<b>353,312</b>
<b>Cash and Cash Equivalents Balance - End of Year</b>	<b>\$ 13,080,011</b>	<b>\$ 505,206</b>

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

# Siskiyou Joint Community College District

## STATEMENT OF CASH FLOWS

(Continued)

Year Ended June 30, 2016	District	Foundation
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	\$ 7,919,858	\$ 505,206
Restricted cash and cash equivalents - noncurrent	5,160,153	-
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>13,080,011</b>	<b>505,206</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	(17,782,790)	(119,084)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	1,754,786	-
Change in allowance for doubtful accounts	23,129	-
Deferred pension outflows	(730,780)	-
Pension liabilities	2,459,015	-
Deferred pension inflows	(1,468,988)	-
Other postemployment benefits obligation	402,069	-
Changes in:		
Accounts receivable	(273,770)	106,690
Due from Foundation/District	(122,640)	122,640
Inventory and prepaids	(137,076)	1,491
Accounts payable	2,094,421	(54,577)
Advances from grantors and students	130,181	-
Amounts held for others	19,755	-
Compensated absences	80,650	-
Other postemployment benefits obligation	(692,586)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (14,244,624)</b>	<b>\$ 57,160</b>

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

**1. SIGNIFICANT ACCOUNTING POLICIES**

**Definition of the Reporting Entity** Siskiyou Joint Community College District (the District) is a community college governed by an elected seven-member Board of Trustees. The District provides educational services to the local residents of the surrounding area. The District consists of one community college located in Weed, California, and a satellite campus in Yreka, California.

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

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

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

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

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

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

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

**Implementation of New Accounting Standard**

The District adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, for the fiscal year ended June 30, 2016. This statement improves financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. As a result, assets subject to fair value measurement have been reported in accordance with the guidance of this statement.



**Siskiyou Joint Community College District**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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**Basis of Presentation and Accounting** The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities (BTA). Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. All significant intra-agency transactions have been eliminated.

The budgetary and financial accounts of the District are recorded and maintained in accordance with the *California Community Colleges Budget and Accounting Manual*.

**Cash, Cash Equivalents and Investments** The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, provides that amounts held in external investment pools be reported at fair value. However, cash in the County Treasury is recorded at the value of the pool shares held, which approximates the fair value of the underlying cash and investments of the pool.

**Restricted Cash and Cash Equivalents** Restricted cash and cash equivalents include 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 *California Community Colleges Budget and Accounting Manual*.

**Accounts Receivable** Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the state of California. Accounts receivable also include amounts due from the federal, state, and local governments, or private sources, in connection with reimbursement of allowable expenses made pursuant to the District's grants and contracts. The District utilizes the allowance method with respect to its accounts receivable based on all accounts receivable with an age greater than four years old in combination with historical collection information. The allowance was estimated at \$50,330 for the year ended June 30, 2016.

**Inventory and Prepaids** Inventory consists primarily of bookstore merchandise including, but not limited to, books, instructional materials, and sundry items held for resale to students and staff of the District. Inventory is valued at average cost, which approximates market, using the purchase method.

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

**Siskiyou Joint Community College District**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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**Capital Assets** Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Where historical cost is not available, estimated historical cost is based on replacement cost reduced for inflation. Capitalized equipment includes all items with a unit cost of \$5,000 or more, and estimated useful life of greater than one year. 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 the expense was incurred.

Depreciation of capitalized assets is computed using the straight-line method over the estimated useful lives of the assets; generally, 25 to 50 years for buildings, 20 years for land improvements, and 5 to 15 years for equipment and vehicles.

**Fair Value Measurements** The District categorizes its fair value measurements within the fair value hierarchy established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

**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) which will only be recognized as an outflow of resources (expense/expenditures) in the future. District contributions subsequent to the measurement date related to pension plans, are reported as deferred outflows of resources in the government-wide statement of net position. District contributions subsequent to the measurement date will be amortized during the next fiscal year.

In addition to liabilities, the statement of net position includes 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 would only be recognized as an inflow of resources (revenue) at that time.

Changes in proportion and differences between District contributions and proportionate share of pension contributions, the District's proportionate share of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and the differences between the District's expected and actual experience are reported as deferred inflows of resources or deferred outflows of resources in the government-wide statement of net position. These amounts are amortized over the estimated service lives of the pension plan participants.

The District also has 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 of the life of the refunded or refunding debt.

**Advances From Grantors and Students** Advances include amounts received for tuition, fees, and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Advances also include amounts received from grant and contract sponsors that have not yet been earned.

**Siskiyou Joint Community College District**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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**Amounts Held for Others** Amounts held for others represents funds held by the District for the Associated Students Trust Fund, Scholarship and Loan Trust Fund, and other agency funds.

**Compensated Absences** Accumulated and vested unpaid employee vacation benefits are recognized as liabilities of the District as the benefits are earned.

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 the employee retires.

**Long-Term Liabilities** Bond premiums are deferred and amortized over the life of the bonds using the straight-line method, which does not differ materially from the effective interest method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are expensed in the year incurred. Amortization of bond premiums was \$66,325 for the year ended June 30, 2016.

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

**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 outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component net investment in capital assets.

*Restricted Net Position – Nonexpendable:* Consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be expended or added to the principal depending on donor stipulations.

*Restricted Net Position – Expendable:* Restricted expendable net position represents resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

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

**Siskiyou Joint Community College District**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

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

*Operating Revenues:* Operating revenues include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; and (3) some federal, state, and local grants contracts and federal appropriations.

*Nonoperating Revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources described in GASB Statement No. 34, *Basic Financial Statements – And Management's Discussion and Analysis – For State and Local Governments*, such as state appropriations, financial aid, and investment income.

**Scholarship Discounts and Allowances** Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf.

**State Apportionment** Certain current-year apportionments from the State are based on various financial and statistical information of the previous year, as well as state budgets and other factors outside the District's control. In February, subsequent to the year end, the State performs a recalculation based on actual financial and statistical information for the year just completed. The District's policy is to estimate the recalculation correction to apportionment, if any, based on factors they can reasonably determine such as local property tax revenue received and changes in full time equivalent students. Any additional corrections determined by the State are recorded in the year computed by the State.

**Property Taxes** Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent if paid after December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Siskiyou (the County) bills and collects the taxes for the District.

**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 that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**Siskiyou Joint Community College District**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

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

**On-Behalf Payments** GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requires that direct on-behalf payments for fringe benefits and salaries made by an entity to a third-party recipient for the employees of another legally separate entity be recognized as revenue and expenses by the employer government. The state of California makes direct on-behalf payments for retirement benefits to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all community college districts in California. The amount reported in the basic financial statements as of June 30, 2016, was \$38,433.

#### **DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION**

**Organization** The purpose of the Foundation is to accumulate funds to award scholarships to assist students while attending the District, and for designated projects. A substantial portion of the Foundation's revenue is from community donations.

**Basis of Accounting** The accompanying financial statements have been prepared on the accrual basis of accounting.

**Basis of Presentation** Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

*Unrestricted:* Net assets that are not subject to donor-imposed stipulations.

*Restricted – Expendable:* (Temporary restricted net assets) Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

*Restricted – Nonexpendable:* (Permanently restricted net assets) Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

**Siskiyou Joint Community College District**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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**Cash and Cash Equivalents** For purpose of the statement of cash flows, the Foundation considers all short-term securities purchased with a maturity of three months or less to be cash equivalents.

**Investments** Investments are recorded at fair value based on quoted market values. The art collection and gem investments held by the Foundation are carried at the appraised value at the time of donation and reduced for any permanent declines in market value.

**Fair Value Measurements** The Foundation accounts for certain assets and liabilities in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, which establishes a framework for measuring fair value under generally accepted accounting principles.

The Foundation classifies its fair value assets and liabilities into a hierarchy of three levels based on the markets in which they are traded and the reliability of the assumptions used to determine fair value. The asset or liability measurement level within the hierarchy is based on the lowest level of any assumption that is significant to the measurement.

Valuations within the hierarchy levels are based upon the following:

*Level 1:* Quoted market prices for identical instruments traded in active exchange markets.

*Level 2:* Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

*Level 3:* Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Foundation's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management's judgment and estimation, which may be significant.

**Endowment Investment and Spending Policies** The Foundation's endowment consists of approximately 40 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net position associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Siskiyou Joint Community College District**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net position (nonexpendable net position): (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified as temporarily restricted net position (expendable net position) until those amounts are appropriated for spending by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the institution and the endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

*Investment Return Objectives, Risk Parameters, and Strategies:* The Foundation has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, which is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4% to 7% of the Foundation's scholarship endowments, while growing the funds, if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of 4% to 7% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Spending Policy:* The Foundation has a policy of appropriating for distribution each year 4% to 7% of its endowment fund's fair market value as of the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal annual rate, which is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

**Siskiyou Joint Community College District**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**Contributions** Contributions, including unconditional promises to give, are recorded when made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are due in the next year are recorded at their net realizable value. Unconditional promises to give that are due in subsequent years are reported at their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

**Recognition of Donor-Restricted Contributions** Donor-restricted support is reported as an increase in temporarily or permanently restricted net position depending on the nature of the restriction. When a restriction expires, temporarily restricted net position is reclassified to unrestricted net position.

However, contributions that are restricted by the donor are reported as increases in unrestricted net position if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

**Donated Services** Donated services are recognized as contributions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 958-605, *Not-for-Profit Entities – Revenue Recognition*, if the services: (a) create or enhance nonfinancial assets, or (b) require specialized skills, performed by people with those skills, and would otherwise be purchased by the Foundation.

The Foundation receives donated administrative services from the District. The value of these services was estimated at \$43,363 for the year ended June 30, 2016.

Volunteers also provided their time and performed a variety of tasks that assisted the Foundation with the thrift shop and other program services. These services did not meet the above requirement for recognition in these financial statements and, accordingly, have not been valued or recorded.

**Income Taxes** The Foundation operates under Section 501(c)(3) of the *Internal Revenue Code* and 23701(d) of the *California Revenue and Taxation Code* and is exempt from federal and state income taxes. Accordingly, no provision for income taxes is included in the financial statements. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

FASB ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in the Foundation's financial statements in accordance with FASB ASC 740, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. FASB ASC 740-10 also provides guidance on derecognition and measurement of a tax position taken, or expected to be taken, in a tax return.

The Foundation files income tax returns in the U.S. federal jurisdiction, and the state of California. The Foundation's federal income tax returns for tax years 2013 and beyond remain subject to examination by the Internal Revenue Service. The Foundation's California income tax returns for tax years 2012 and beyond remain subject to examination by the Franchise Tax Board.



**Siskiyou Joint Community College District**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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The Foundation did not have unrecognized tax benefits as of June 30, 2016, and does not expect this to change significantly over the next 12 months. In connection with the adoption of FASB ASC 740-10, the Foundation will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of June 30, 2016, the Foundation did not accrue interest or penalties related to uncertain tax positions.

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

The following is a summary of cash and investments:

June 30, 2016	<b>District</b>	<b>Foundation</b>
Cash and cash equivalents - current	\$ 7,919,858	\$ 505,206
Restricted cash and cash equivalents - noncurrent	5,160,153	-
Investments	-	2,921,173
<b>Total Cash and Cash Equivalents and Investments</b>	<b>\$ 13,080,011</b>	<b>\$ 3,426,379</b>

**Deposits**

The carrying amount of the District's and Foundation's deposits is summarized as follows:

June 30, 2016	<b>District</b>	<b>Foundation</b>
Cash in county treasury	\$ 11,842,591	\$ 505,006
Cash in banks	1,193,450	-
Cash on hand	2,885	200
Cash held by trustee	41,085	-
<b>Totals</b>	<b>\$ 13,080,011</b>	<b>\$ 505,206</b>

As provided for by *California Education Code*, Section 41001, a significant portion of the District's cash balances of most funds is deposited with the Siskiyou County Treasurer for the purpose of increasing interest earned through County investment activities. The County Treasury's Pooled Money Investment account's weighted average maturity was 2.27 years at June 30, 2016. As of June 30, 2016, the fair value of the County pool was 100.36% of the carrying value and is deemed to not represent a material difference. The pooled treasury has regulatory oversight by the Siskiyou County Treasury Oversight Committee in accordance with *California Government Code* requirements. The District is considered to be an involuntary participant in the external investment pool. Copies of the County's audited financial statements can be obtained from the Siskiyou County Auditor-Controller's Office, 311 Fourth Street, Yreka, California 96097.

**Siskiyou Joint Community College District**  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**Investments**

Under provision of the District’s investment policy, and in accordance with Sections 53601 and 53602 of the *California Government Code*, the District may invest in the following types of investments:

- State of California issues
- Local Agency Investment Fund (state pool) deposits
- County Treasurer
- U.S. Treasury Bonds with less than a five-year maturity
- Time Certificates of Deposit limited to \$100,000 per financial institution (institution must be insured by FSLIC and/or FDIC, licensed by the state of California and/or the federal government, and located within the state of California)

The investment policy of the Foundation allows for investment in a variety of mutual funds and debt securities. As it relates to the gem and art collection, the Foundation intends to retain these as investments and sell the items on an as-needed basis.

Investments consisted of the following:

June 30, 2016	District	Foundation
Mutual funds and debt securities	\$ -	\$ 2,888,638
Art and gems	-	32,535
<b>Total Investments</b>	<b>\$ -</b>	<b>\$ 2,921,173</b>

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. *California Government Code*, Section 53601, limits investments to maturities of five years. The District and Foundation investment policies are to hold investments to call or maturity to further mitigate interest rate risk.

**Siskiyou Joint Community College District**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by ratings assigned by nationally recognized organizations. The District and Foundation investment policies address credit risk by limiting their investment types as noted above to investments authorized by *California Government Code*. The investment in the county investment pool is unrated.

**Concentration of Credit Risk**

Concentration risk is defined as positions of 5% or more in the securities of a single issuer. The District and Foundation investment policies allow investments in a single issuer greater than 5%.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., financial institution, broker-dealer), the District's deposits may not be redeemed. For deposits, 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% of an entity's deposits. California law also allows financial institutions to secure an entity's deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. For investments, the District and Foundation do not have policies to address this risk.

All cash held by financial institutions is collateralized by securities that are held by the broker or dealer, or by its trust department or agent, but not in the District's name. In addition, \$250,000 of the bank balances (per institution) at June 30, 2016, are insured.

**Fair Value Measurements**

The District's investment in the County treasurer's investment pool is measured at fair value. At June 30, 2016, the County treasurer's pool of \$11,842,591 is valued using quoted prices for similar instruments in active market and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).

**Siskiyou Joint Community College District**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following:

June 30, 2016	District	Foundation
Tuition and fees	\$ 1,804,544	\$ 3,426
Federal grants and contracts	229,686	-
State grants and contracts	59,146	-
Local grants and contracts	15,214	3,887
Auxiliary enterprise sales and charges - net	261,597	447
State taxes and other revenues	237,119	-
State apportionment	410,792	-
Investment income - noncapital	27,702	1,031
<b>Totals</b>	<b>\$ 3,045,800</b>	<b>\$ 8,791</b>

**4. CAPITAL ASSETS**

Capital assets activity is as follows:

June 30, 2016	Beginning Balance	Additions	Deductions	Ending Balance
<b>Nondepreciated Capital Assets</b>				
Land	\$ 199,350	\$ -	\$ -	\$ 199,350
Construction in progress	23,789	218,067	-	241,856
<b>Total Nondepreciated Capital Assets</b>	<b>223,139</b>	<b>218,067</b>	<b>-</b>	<b>441,206</b>
<b>Depreciated Capital Assets</b>				
Building improvements	10,700,610	100,367	-	10,800,977
Buildings	40,045,396	-	-	40,045,396
Vehicles	298,650	62,471	-	361,121
Equipment	4,951,526	870,734	-	5,822,260
<b>Total Depreciated Capital Assets</b>	<b>55,996,182</b>	<b>1,033,572</b>	<b>-</b>	<b>57,029,754</b>
Less: Accumulated depreciation	16,039,945	1,754,786	-	17,794,731
<b>Total Depreciated Capital Assets - Net</b>	<b>\$ 39,956,237</b>	<b>\$ (721,214)</b>	<b>\$ -</b>	<b>\$ 39,235,023</b>

**Siskiyou Joint Community College District**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**5. ACCOUNTS PAYABLE**

Accounts payable consisted of the following:

June 30, 2016	District	Foundation
Accrued payroll and related liabilities	\$ 691,932	\$ 860
Interest payable	356,047	-
Other	3,539,222	12,333
<b>Totals</b>	<b>\$ 4,587,201</b>	<b>13,193</b>

**6. SHORT-TERM DEBT**

On July 8, 2015, the District issued \$1,270,000 of TRANs at an interest rate of 2% due June 30, 2016. These TRANs were issued under the authority of the *California Government Code*. Proceeds from the issuance of TRANs were used to meet the financial 2015-16 expenses, including operating expenses, capital expenses, and the discharge of other obligations or indebtedness of the District. TRANs are general obligations of the District, but are payable only from taxes, revenues, cash receipts, and other monies received by the District. On June 22, 2016, the TRANs were repaid in accordance with the above terms.

**7. LONG-TERM LIABILITIES**

The long-term liabilities activity is as follows:

June 30, 2016	Beginning Balance	Additions/ Accretions	Reductions	Ending Balance	Current Portion
<b>Long-Term Debt</b>					
General obligation bonds:					
Dormitory revenue	\$ 37,000	\$ -	\$ 12,000	\$ 25,000	\$ 12,000
Measure A:					
Series A	2,188,104	-	380,198	1,807,906	108,105
Series B and C	13,605,369	620,041	103,277	14,122,133	85,000
Series A Refunding	13,424,685	-	238,048	13,186,637	35,000
Science building equipment	508,252	-	222,236	286,016	228,069
<b>Total Long-Term Debt</b>	<b>29,763,410</b>	<b>620,041</b>	<b>955,759</b>	<b>29,427,692</b>	<b>468,174</b>
Other long-term liabilities:					
Compensated absences	285,686	80,650	-	366,336	274,753
Net pension liability	8,697,399	2,459,015	-	11,156,414	-
Other postemployment benefits	1,877,752	-	290,517	1,587,235	-
<b>Totals</b>	<b>\$ 40,624,247</b>	<b>\$ 3,159,706</b>	<b>\$ 1,246,276</b>	<b>\$ 42,537,677</b>	<b>\$ 742,927</b>

**Siskiyou Joint Community College District**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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June 30, 2016

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The Dormitory Revenue Bonds were issued in 1968 in the amount of \$336,000 for the construction of a two-story dormitory. The bonds are secured by a first lien on, and pledge of, the net revenues to be derived from the operation and ownership of the Juniper and Ponderosa dormitories. The bonds mature through 2018 and accrue interest at 3%.	\$ 25,000
2005 General Obligation Bonds, Series A, were issued in May 2006 in the original amount of \$14,997,976, and include both current-interest bonds and capital appreciation bonds. The bonds are for the purpose of financing the acquisition, construction, modernization, and renovation of the District facilities. The bonds are payable solely from the proceeds of ad valorem taxes. The bonds were partially refinanced and the remaining bonds mature in 2020. The interest rate ranges from 4% to 5%.	1,807,906
2005 General Obligation Bonds, Series B and C, were issued in April 2008 in the original amount of \$9,998,688 and include both current-interest bonds and capital appreciation bonds. The bonds are for the purpose of financing the acquisition, construction, modernization and renovation of District facilities. The bonds are payable solely from the proceeds of ad valorem taxes. Final maturity of all bonds is in 2047. The interest rate ranges from 3% to 6%.	13,596,537
2014 General Obligation Refunding Bonds were issued in September 2014 in the original amount of \$12,740,000 and includes serial bonds. The bonds are for the purpose of financing the acquisition, construction, modernization and renovation of District facilities. The bonds are payable solely from the proceeds of ad valorem taxes. Final maturity of all bonds is in 2030. The interest rate ranges from 2% to 5%.	12,550,000
Capital lease with Bank of America Leasing began in September 2012 in the original amount of \$1,090,514. The borrowed funds were for the purpose of purchasing equipment for the science building. Payments in the amount of \$19,399 are due monthly, including interest at 2.59%. The lease matures in September 2017.	286,016
Premium on 2005 General Obligation Bonds (Series B and C)	525,596
Premium on 2014 General Obligation Refunded Bonds (Series A)	636,637
<b>Long-Term Debt - Net</b>	<b>29,427,692</b>
Less: Current portion	468,174
<b>Total Long-Term Debt - Noncurrent Portion</b>	<b>\$ 28,959,518</b>

**Siskiyou Joint Community College District**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**Accretion**

The 2005 General Obligation Bonds (Series A, B, and C) have been increased to include accretion of the capital appreciation bonds. Annual accretion is recognized as interest expense in the statement of activities.

**Interest Expense**

During the year, interest expense on debt, excluding capital leases, totaled \$1,605,968.

The annual debt service requirements to maturity on the bond and notes payable are as follows:

Year Ending June 30	Bonds and Notes Payable			Bond Premium	Total
	Principal	Interest	Total		
2017	\$ 240,105	\$ 950,774	\$ 1,190,879	\$ 66,326	\$ 1,257,205
2018	533,000	690,569	1,223,569	66,325	1,289,894
2019	590,000	667,073	1,257,073	66,325	1,323,398
2020	660,000	640,488	1,300,488	66,325	1,366,813
2021	735,000	611,002	1,346,002	66,325	1,412,327
2022-2026	4,990,000	2,490,347	7,480,347	331,627	7,811,974
2027-2031	8,040,300	1,275,863	9,316,163	247,544	9,563,707
2032-2036	791,338	9,579,321	10,370,659	79,534	10,450,193
2037-2041	4,274,648	8,984,886	13,259,534	73,150	13,332,684
2042-2046	1,949,535	13,810,912	15,760,447	73,150	15,833,597
2047	1,042,868	6,369,943	7,412,811	25,602	7,438,413
<b>Total</b>	<b>\$ 23,846,794</b>	<b>\$ 46,071,178</b>	<b>69,917,972</b>	<b>1,162,233</b>	<b>71,080,205</b>
Less: Interest (excluding accretion of \$4,132,649)			41,938,529	-	41,938,529
<b>Principal - Net</b>			<b>\$ 27,979,443</b>	<b>\$ 1,162,233</b>	<b>\$ 29,141,676</b>

**Siskiyou Joint Community College District**  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**Capital Lease Obligations**

The District leases equipment at a cost of \$1,090,514, with related accumulated depreciation of \$85,424, under agreements which provide for title to pass upon expiration of the lease period. The amount of interest cost incurred during the year ended June 30, 2016, was \$10,556, all of which was charged to expenses. Amortization expense under capital leases has been included with depreciation expense in the statement of revenue, expenses, and changes in net position. Future minimum lease payments are as follows:

Year Ending June 30	Lease Payments
2017	\$ 232,791
2018	58,198
<b>Total</b>	<b>290,989</b>
Less: Amount representing interest	4,973
<b>Present Value of Net Minimum Lease Payments</b>	<b>\$ 286,016</b>

**General Obligation Bond Refunding**

On September 25, 2014, the District refunded \$12,160,000 of the Series A General Obligation Refunding Bonds with 2014 general obligation refunding bonds. Resources totaling \$13,238,473 were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded general obligation bonds. At June 30, 2016, the outstanding balance of the refunded bonds held in the irrevocable trust was \$12,160,000.

This refunding was undertaken to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding general obligation bonds) of \$1,078,323. As a result of this refunding, total debt service payments over the next 14 years will decrease by \$1,370,318.

**8. EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans maintained by agencies of the state of California. Certificated employees are members of the CalSTRS, and classified employees are members of the CalPERS.

**California State Teachers' Retirement System**

**Plan Description** Certificated employees of the District participate in the State Teachers' Retirement Plan (STRP), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions are established by state statute, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues publicly available financial reports that can be obtained at [www.calstrs.com](http://www.calstrs.com).



**Siskiyou Joint Community College District**  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**Benefits Provided** STRP provides retirement, disability, and survivor benefits to beneficiaries. 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. The program has two benefit formulas:

- **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% 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 retirement after age 60 increases with each quarter year of age to 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4% of final compensation.
- **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% 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% at age 65 or older.

**Contributions** Required member, employer, and state contribution rates are set by the California Legislature and the Governor and are detailed in the *Teachers' Retirement Law*. Active plan members of the CalSTRS 2% at 60 formula are required to contribute 9.2% of their salary. Active plan members of the CalSTRS 2% at 62 formula are required to contribute 8.56% of their salary. The required employer contribution rate for fiscal year 2015-16 was 8.88% of annual payroll. The *Teachers' Retirement Law* also requires the state to contribute 5.954% of members' creditable earnings from the fiscal year ending in the prior calendar year. The District's contributions to CalSTRS for the fiscal years ended June 30, 2016 was \$494,082.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** At June 30, 2016, the District reported a net pension 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:

June 30, 2016

District's proportionate share of the net pension liability	\$ 6,014,982
State's proportionate share of the net pension liability associated with the District	2,328,939
<b>Total</b>	<b>\$ 8,343,921</b>

**Siskiyou Joint Community College District**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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The District's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2015, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2016, the District's proportionate share was .010%.

For the year ended June 30, 2016, the District recognized pension expense of \$222,100 and revenue of \$38,433 for support provided by the state. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

June 30, 2016	<b>Deferred Outflows Resources</b>	<b>Deferred Inflows Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 548,800
Change in assumptions	-	112,500
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	494,082	-
<b>Total</b>	<b>\$ 494,082</b>	<b>\$ 661,300</b>

The \$494,082 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30		
2017	\$	94,471
2018		94,471
2019		94,471
2020		94,471
2021		94,471
Thereafter		188,945
<b>Total</b>	<b>\$</b>	<b>661,300</b>

**Siskiyou Joint Community College District**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**Actuarial Assumptions** The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.60% <sup>(1)</sup>
Interest on accounts	4.50%
Wage growth	3.75%
Consumer price inflation	3.00%
Post-retirement benefit increases	2.00% simple

(1) Net of investment expenses, but gross of administrative expenses.

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.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2006, through June 30, 2010.

**Siskiyou Joint Community College District**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS' consulting actuary's (Milliman) investment practice, a best-estimate range was determined by assuming the portfolio is rebalanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return, and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.02%
Cash/liquidity	1%	0.00%
<b>Total</b>	<b>100%</b>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assumes that contributions, benefit payments, and administrative expenses occur mid-year. 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.

**Siskiyou Joint Community College District**  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 (Continued)

**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%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

June 30, 2016	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 9,082,155	\$ 6,014,982	\$ 3,465,914

**Pension Plan Fiduciary Net Position** Detailed information about the pension plan's fiduciary net position is available in CalSTRS' separately issued *Comprehensive Annual Financial Report* (CAFR).

**California Public Employees' Retirement System**

**Plan Description** Classified employees of the District participate in the School Employer Pool (the Plan) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a publicly available financial report that can be obtained at [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Benefits Provided** The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. The benefits are based on members' years of service, age, final compensation, and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**Contributions** Member contribution rates are defined by law. Employer contribution rates are determined by periodic actuarial valuations. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. With the passage of the Public Employee's Pension Reform Act of 2013 (PEPRA), a second classification of CalPERS employees has been established. The "new member" classification applies to a new hire who is brought into CalPERS membership for the first time on or after January 1, 2013, and who has no prior membership in any other California public retirement system. CalPERS employees hired prior to January 1, 2013, are now identified as "classic members". Active "classic members" are required to contribute 7% of their salary, while active "new members" under PEPRA are required to contribute 6% of their salary. The required employer contribution rate for the 2015-16 fiscal year was 11.847%. The District's contributions to CalPERS for the fiscal year ended June 30, 2016, were \$482,754.

**Siskiyou Joint Community College District**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** At June 30, 2016, the District reported a net pension liability of \$5,141,432 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2015, using standard update procedures. The District's portion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2016, the District's portion was .0323%.

For the year ended June 30, 2016, the District recognized pension expense of \$1,013,983. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2016	Deferred Outflows Resources	Deferred Inflows Resources
Difference between expected and actual experience	\$ 272,101	\$ -
Net difference between projected and actual earnings on pension plan investments	-	163,022
Change in assumptions	-	292,532
Changes in proportion and differences between District contributions and proportionate share of contributions	328,922	-
District contributions subsequent to the measurement date	482,754	-
<b>Total</b>	<b>\$ 1,083,777</b>	<b>\$ 455,554</b>

The \$482,754 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2017	\$ (36,367)
2018	(36,367)
2019	(36,367)
2020	(36,368)
<b>Total</b>	<b>\$ (145,469)</b>

**Siskiyou Joint Community College District**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**Actuarial Assumptions** The total pension liability in the June 30, 2014, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.65% <sup>(1)</sup>

(1) Net of pension plan investment and administrative expenses; includes inflation.

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. 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.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**Siskiyou Joint Community College District**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Rate of Return</b>	
		<b>Years 1 - 10</b>	<b>Years 11+</b>
Global equity	51%	5.25%	5.71%
Global fixed income	19%	0.99%	2.43%
Inflation sensitive	6%	0.45%	3.36%
Private equity	10%	6.83%	6.95%
Real estate	10%	4.50%	5.13%
Infrastructure and forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
<b>Total</b>	<b>100%</b>		

**Discount Rate** The discount rates used to measure the total pension liability was 7.65%. A projection of expected benefit payments and contributions was performed to determine if the 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. The results of the crossover testing for the plan are presented in a detailed report that can be obtained on the CalPERS website.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

	<b>1% Decrease (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>1% Increase (8.65%)</b>
June 30, 2016			
District's proportionate share of the net pension liability	\$ 8,368,109	\$ 5,141,432	\$ 2,458,235

**Pension Plan Fiduciary Net Position** Detailed information about the pension plan's fiduciary net position is available in CalPERS' separately issued *Comprehensive Annual Financial Report* (CAFR).



**Accumulation Program for Part-Time and Limited-Service Employees**

The District has adopted the Accumulation Program for Part-Time and Limited-Service Employees (APPLE). APPLE is a defined contribution pension plan covered under *Internal Revenue Code*, Section 401(a). APPLE participants include all individuals who have worked for the District on or after January 1, 1992, provided that they are not covered by any other retirement program (e.g., CalSTRS or CalPERS) through the District's employment. Each participant makes tax deferred contributions to APPLE equal to 7.5% of total compensation. Accounts are established in the name of each participant. Employee contributions are allocated directly to employee accounts. The minimum allocation participants will receive is 7.5% of compensation. Participant account balances are fully vested and nonforfeitable. Participant account balances will be paid in a single distribution or by direct rollover to another eligible retirement plan designated by the participant upon retirement or other termination. The District is not required to make contributions to APPLE and has not made contributions for the year ended June 30, 2016.

**9. STATE AND FEDERAL ALLOWANCES, AWARDS, AND GRANTS**

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expense disallowance under terms of the grants, management believes that any required reimbursements will not be material.

**10. RISK MANAGEMENT**

The District is a member of the Northern California Community Colleges Self-Insurance Authority (the Authority). The Authority is a member of the Statewide Association of Community Colleges Joint Powers Authority (SWACC). The Authority provides for a risk-sharing plan whereby the member districts share in the claims costs as well as the administrative costs of providing property and liability coverages. Financial statements are available from the Authority upon request.

Coverage includes property, liability, and workers' compensation insurance. Liability losses in excess of the District's \$1,000 retention amount are covered through the SWACC up to \$25,000,000 per occurrence. Property losses in excess of the District's \$1,000 retention amount are covered up to the District's total insurable values. Workers' compensation losses are fully insured. There has been no significant reduction in any of the insurance coverages from the prior year. Settled claims resulting from these programs have not exceeded insurance coverage in any of the past three fiscal years.

The District is fully insured for its medical and prescription insurance coverage for all eligible employees through California Valued Trust. Employees can select from a number of plans to best fit their needs.

**11. OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)**

**Plan Description**

The Siskiyou Joint Community College District Post-Retirement Health Benefits Plan (the Plan) is a single-employer OPEB plan administered by the District. Administrators, academic, and administrative support management employees hired prior to July 1, 1992, classified employees hired prior to December 1, 1992, and Board members elected between January 1, 1981, and January 1, 1995, may receive benefits from age 55 to age 65. The District pays 100% of the eligible retirees' medical plan premiums. Before receiving benefits, academic, administrative support management, and classified employees must have ten years of service with the District. Board members must serve a minimum of 12 years with the District. All employees and board members with 20 or more years of service are eligible to receive District-paid medical benefits from the date of retirement for the remainder of their lives.

As of June 30, 2016, the District has 19 active employees who are eligible for post-retirement health benefits, and 65 retirees who receive post-retirement health benefits.

**Funding Policy**

The contribution requirements are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually. Additionally, the District has established an irrevocable trust (the "Trust") with U.S. Bank through the Retiree Health Benefit Program Joint Powers Authority to prefund a portion of the retiree health benefit costs. For the year ended June 30, 2016, the District contributed \$692,586 to the Plan.

**Siskiyou Joint Community College District**  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 (Continued)

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (UAAL) or funding costs over a period of 30 years. The following table shows the components of the District's annual OPEB cost, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan.

June 30, 2016

Annual required contribution (ARC)	\$	549,971
Adjustment to ARC		(245,545)
Interest on net OPEB obligation		97,643
<b>Annual OPEB Cost</b>		<b>402,069</b>
Contributions		(692,586)
<b>Change in Net OPEB Obligation</b>		<b>(290,517)</b>
<b>Net OPEB Obligation - Beginning of Year</b>		<b>1,877,752</b>
<b>Net OPEB Obligation - End of Year</b>	<b>\$</b>	<b>1,587,235</b>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB Obligation (Deferred Charge)
June 30, 2014	\$ 476,234	\$ 391,031	82%	\$ 1,974,152
June 30, 2015	\$ 463,245	\$ 559,645	121%	\$ 1,877,752
June 30, 2016	\$ 402,069	\$ 692,586	172%	\$ 1,587,235

**Funded Status and Funding Progress**

During the year ended June 30, 2009, the District set aside funds in an external trust fund established through the Community College League of California Retiree Health Benefit Program. The fair value of the trust fund was \$1,048,106 at June 30, 2016.

As of December 1, 2015, the most recent actuarial valuation date, the Plan was 14.47% funded. The actuarial accrued liability for benefits was \$7,104,528, and the actuarial value of the assets was \$1,028,314, resulting in an unfunded actuarial accrued liability of \$6,076,214. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,285,309, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 472.74%.

### **Actuarial Methods and Assumptions**

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability 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 to past expectations and new estimates are made about the future.

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 benefits cost 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 December 1, 2015, actuarial valuation, the entry-age normal cost method was used. The actuarial assumptions included a 5.2% discount rate based on the assumption that a substantial portion of the ARC is funded. A 2.75% price inflation and a 2.75% wage inflation, as assumptions, were used as well as an annual cost trend rate of 4.0%. UAAL are amortized over a 10-year period using the flat dollar amount method. The actuarial value of assets was determined using a 5-year smoothing formula subject to a 20% corridor around market value.

## **12. BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS - FOUNDATION**

Charitable remainder trusts provide for the payment of distributions to designated beneficiaries over the trusts' terms. At the end of the trusts' terms, the remaining assets are available for the beneficiaries' use, subject to donor-imposed restrictions. Assets held in charitable remainder trusts are reported at fair value in the Foundation's statement of financial position. Changes in fair value of charitable remainder trusts are reflected as changes in temporarily restricted net assets in the Foundation's statement of activities.

The Foundation has been named as the irrevocable remainder beneficiary of two charitable remainder trusts (the trusts are administered by a third party). At June 30, 2016, the present value of the future benefits was calculated using a discount rate of 2.0%, estimated rate of return of 2.0%, and applicable mortality tables. Assets held in all charitable remainder trusts at June 30, 2016, totaled \$262,475 and are reported at fair value in the Foundation's statement of financial position.

**Siskiyou Joint Community College District**  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 (Continued)

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**13. INVESTMENT INCOME – FOUNDATION**

A summary of return on investments consisted of the following:

June 30, 2016

Interest and dividends	\$	133,537
Change in value of charitable remainder trusts		(38,792)
Net realized and unrealized loss		(106,350)
<b>Total Investment Income (Expense)</b>	<b>\$</b>	<b>(11,605)</b>

**14. SPECIAL EVENTS – FOUNDATION**

The following is a summary of special events:

June 30, 2016	Dinner Auction		Golf Tournament		Craft Fair		Total
Gross revenue	\$	12,933	\$	21,295	\$	5,354	\$ 39,582
Expenses		4,284		17,022		1,076	22,382
<b>Totals</b>	<b>\$</b>	<b>8,649</b>	<b>\$</b>	<b>4,273</b>	<b>\$</b>	<b>4,278</b>	<b>\$ 17,200</b>

**15. TEMPORARILY RESTRICTED NET ASSETS - FOUNDATION**

Temporarily restricted net assets is available for the following purposes:

June 30, 2016

Scholarships	\$	527,513
Title III		1,565,951
Beneficial interest in charitable remainder trusts		262,475
Other programs		199,199
<b>Total</b>	<b>\$</b>	<b>2,555,138</b>

**16. PERMANENTLY RESTRICTED NET ASSETS – FOUNDATION**

Permanently restricted net assets is invested for the following purposes:

June 30, 2016

Scholarships	\$	590,957
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**Siskiyou Joint Community College District**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

**17. ENDOWMENTS – FOUNDATION**

Endowment composition by type of fund is as follows:

June 30, 2016	Unrestricted	Temporarily Unrestricted	Permanently Unrestricted	Total Net Endowment Assets
<b>Donor-Restricted Endowment Funds</b>				
Scholarships	\$ 26,719	\$ 527,513	\$ 590,957	\$ 1,145,189
Title III	-	1,565,951	-	1,565,951
<b>Total Endowment Funds</b>	<b>\$ 26,719</b>	<b>\$ 2,093,464</b>	<b>\$ 590,957</b>	<b>\$ 2,711,140</b>
Endowment assets -				
beginning of year	\$ 22,570	\$ 2,160,436	\$ 582,392	\$ 2,765,398
Contributions	8,649	-	8,565	17,214
Investment income	-	113,995	-	113,995
Net unrealized loss	-	(99,317)	-	(99,317)
Amounts appropriated for expenditure	(4,500)	(81,650)	-	(86,150)
<b>Endowment Assets - End of Year</b>	<b>\$ 26,719</b>	<b>\$ 2,093,464</b>	<b>\$ 590,957</b>	<b>\$ 2,711,140</b>

**18. ENDOWMENTS – FOUNDATION**

Donor-restricted scholarship endowment funds consist of permanently restricted contributions received for various scholarship programs. Earnings on these endowments are used for the payment of scholarships under the various programs. Donor-restricted Title III endowment funds are federal grant receipts (and matching contributions) which are to be held for a period of 20 years. Earnings on these funds are to be spent on maintenance of the Rural Health Science Institute. At the end of the 20-year period, the grant proceeds and matching contributions are available to be used to pay various Rural Health Science Institute related expenses.

**Siskiyou Joint Community College District**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

**19. FAIR VALUE MEASUREMENTS – FOUNDATION**

Fair values of assets measured on a recurring basis are as follows:

June 30, 2016	Level 1	Level 2	Level 3	Total
Debt and fixed income securities:				
Corporate debt securities	\$ 485,567	\$ -	\$ -	\$ 485,567
Municiple bond debt	317,186	-	-	317,186
<b>Total Debt and Fixed Income Securities</b>	<b>802,753</b>	<b>-</b>	<b>-</b>	<b>802,753</b>
Mutual funds:				
Fixed income bonds	241,365	-	-	241,365
SmallCap	57,914	-	-	57,914
Medium blend	611,275	-	-	611,275
Large growth	1,108,890	-	-	1,108,890
Aggressive growth	31,661	-	-	31,661
Money market	34,596	-	-	34,596
<b>Total Mutual Funds</b>	<b>2,085,701</b>	<b>-</b>	<b>-</b>	<b>2,085,701</b>
Beneficiary interest in charitable remainder trust	-	-	262,475	262,475
<b>Total</b>	<b>\$ 2,888,454</b>	<b>\$ -</b>	<b>\$ 262,475</b>	<b>\$ 3,150,929</b>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

<b>Beginning of Year - July 1, 2015</b>	\$ 301,267
Total gains or losses (realized/unrealized)	(38,792)
Purchases, issuance, and settlements	-
Transfers in and/or out of Level 3	-
<b>End of Year - June 30, 2016</b>	<b>\$ 262,475</b>

## **20. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS**

### **District**

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. This statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing for those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2016, will have on the District's financial statements, if any.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans* (OPEB). This statement will improve the usefulness of information about OPEB included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The scope of this statement includes OPEB plans administered through trusts that meet certain criteria. It also includes requirements to address financial reporting for assets accumulated for purposes of providing defined OPEB through OPEB plans that are not administered through trusts that meet specified criteria. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2017, will have on the District's financial statements, if any.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2017, will have on the District's financial statements, if any.



**Siskiyou Joint Community College District**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—An Amendment of GASB Statement No. 14*. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2016, will have on the District's financial statements, if any.

In March 2016, GASB issued Statement No. 82, *Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, it addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2016, will have on the District's financial statements, if any.

**Foundation**

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Not-for-Profit Entities*. This amendment will improve the current net asset classification requirements and the information presented in financial statements and notes regarding not-for-profit entities liquidity, financial performance, and cash flows. The Foundation's management has not yet determined the impact that implementation of this amendment, which is required July 1, 2018, will have on the consolidated financial statements, if any.

## **Required Supplementary Information**

# Siskiyou Joint Community College District

## SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

	December 1, 2011	December 1, 2013	December 1, 2015
Actuarial accrued liability (AAL)	\$ 11,486,032	\$ 7,238,350	\$ 7,104,528
Actuarial value of plan assets	1,036,544	718,136	1,028,314
<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>\$ 10,449,488</b>	<b>\$ 6,520,214</b>	<b>\$ 6,076,214</b>
Funded ratio (actuarial value of plan assets/AAL)	9.02%	9.92%	14.47%
Covered payroll (active members)	\$ 1,727,662	\$ 1,447,042	\$ 1,285,309
UAAL as a percentage of covered payroll	604.83%	450.59%	472.74%

*See the accompanying note to the required supplementary information.*

## Siskiyou Joint Community College District

### SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Years Ended June 30		2016		2015
District's portion of the net pension liability (asset)		0.010%		0.010%
District's proportionate share of the net pension liability (asset)	\$	6,014,982	\$	5,440,880
State's proportionate share of the net pension liability (asset) associated with the District		2,328,939		2,200,153
<b>Total</b>	\$	<b>8,343,921</b>	\$	<b>7,641,033</b>
District's covered-employee payroll	\$	4,619,680	\$	4,660,169
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		130.20%		116.75%
Plan fiduciary net position as a percentage of the total pension liability		77.00%		77.00%

*See the accompanying note to the required supplementary information.*

## Siskiyou Joint Community College District

### SCHEDULE OF DISTRICT CONTRIBUTIONS – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Years Ended June 30	2016		2015	
Contractually required contribution	\$	494,082	\$	413,219
Contributions in relation to the contractually required contribution		(494,082)		(413,219)
<b>Contribution Deficiency (Excess)</b>	\$	-	\$	-
District's covered-employee payroll	\$	4,619,680	\$	4,660,169
Contributions as a percentage of covered-employee payroll		10.70%		8.87%

*See the accompanying note to the required supplementary information.*

**Siskiyou Joint Community College District****SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

Years Ended June 30		<b>2016</b>		<b>2015</b>
District's portion of the net pension liability (asset)		0.0323%		0.0294%
District's proportionate share of the net pension liability (asset)	\$	5,141,432	\$	3,256,519
District's covered-employee payroll	\$	4,075,007	\$	3,575,983
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		126.17%		91.07%
Plan fiduciary net position as a percentage of the total pension liability		83.50%		83.50%

*See the accompanying note to the required supplementary information.*

**Siskiyou Joint Community College District****SCHEDULE OF DISTRICT CONTRIBUTIONS – CALIFORNIA PUBLIC EMPLOYEES’  
RETIREMENT SYSTEM**

Years Ended June 30		<b>2016</b>		<b>2015</b>
Contractually required contribution	\$	482,754	\$	420,932
Contributions in relation to the contractually required contribution		(482,754)		(420,932)
<b>Contribution Deficiency (Excess)</b>	\$	-	\$	-
District's covered-employee payroll	\$	4,075,007	\$	3,575,983
Contributions as a percentage of covered-employee payroll		11.85%		11.77%

*See the accompanying note to the required supplementary information.*

## **CHANGES OF BENEFIT TERMS**

### **California State Teachers' Retirement System**

There were no significant changes of benefit terms from the June 30, 2013, actuarial valuation.

### **California Public Employees' Retirement System**

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions used for a specific plan can be found in the plan's annual valuation report.

## **CHANGES OF ASSUMPTIONS**

### **California State Teachers' Retirement System**

There were no changes in major assumptions from the June 30, 2013, actuarial valuation.

### **California Public Employees' Retirement System**

No changes have occurred to the actuarial assumptions since the CalPERS Board adopted new actuarial assumptions in February 2014. The most significant change to the actuarial assumptions that the Board adopted was the inclusion of future mortality improvement. The actuarial assumptions adopted by the Board are designed to ensure greater sustainability and soundness of the defined benefit pension plans, and they will be better at predicting future experiences resulting in more secure retirement benefits in the decades to come. The current experience study was based on demographic CalPERS data for years 1997 to 2011. The study focused on recent patterns of termination, death, disability, retirement and salary increases. These new assumptions were reflected in the total pension liabilities as of June 30, 2013.

GASB Statement No. 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for the pension plan administrative expense. The discount rate was changed from 7.50% (net of administrative expense in 2014) to 7.65% as of the June 30, 2015, measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.



**OTHER SUPPLEMENTARY INFORMATION SECTION**

# Siskiyou Joint Community College District

## ORGANIZATION STRUCTURE

June 30, 2016

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The District, a political subdivision of the state of California, was established on May 17, 1957. Its territories encompass portions of Siskiyou and Shasta Counties. There were no changes in boundaries during the fiscal year ended June 30, 2016.

The District provides higher education instruction for the first and second years of college education and vocational training.

### GOVERNING BOARD

<b>Name</b>	<b>Office</b>	<b>Area</b>	<b>Term Expires</b>
Mr. Greg Hanna	President	VI	December 2016
Ms. Carol Cupp	Vice President	III	December 2018
Mr. Barry Ohlund	Member	IV	December 2016
Mrs. Penny Heilman	Member	I	December 2018
Mr. Jim Hardy	Member	II	December 2018
Mr. Robert Rice	Member	V	December 2016
Mr. Alan Dyar	Member	VII	December 2018

### ADMINISTRATION

Scotty Thomason  
Superintendent/President

Nancy Funk  
Vice President, Administrative Services

Melissa Green  
Vice President, Student Services

Dr. Todd Scott  
Vice President, Instruction

## Siskiyou Joint Community College District

### SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

June 30, 2016

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

	<b>Reported Data</b>
<hr/>	
<b>Summer Intersession (Summer 2015 only)</b>	
Noncredit	96.06
Credit	290.50
<b>Summer Intersession (Summer 2016 - Prior to July 1, 2016)</b>	
Noncredit	62.76
Credit	158.43
<b>Primary Terms (Exclusive of Summer Intersession)</b>	
Census procedure courses:	
Weekly census contact hours	679.07
Daily census contact hours	586.59
Actual hours of attendance procedure courses:	
Noncredit	306.58
Credit	282.56
Alternative attendance accounting procedure:	
Weekly census procedure courses	245.80
Daily census procedure courses	110.49
<hr/>	
<b>Total FTES</b>	<b>2,818.84</b>
<hr/>	
<b>SUPPLEMENTARY INFORMATION (Subset of above information)</b>	
In-service training courses (FTES)	93.17
<b>Basic Skills Courses and Immigrant Education</b>	
Noncredit	429.63
Credit	106.94
<b>CDCP Noncredit FTES</b>	<b>401.67</b>

*See the accompanying notes to the supplementary information.*

**Siskiyou Joint Community College District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2016

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Pass Through/Grant Number</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
RUS-Distance Learning Grant		10.855	\$ 25,187
<b>Passed Through State of California Nutrition Services Division</b>			
Summer Food Service Program for Children	04131-SFSP-47	10.559	5,639
<b>Passed Through Siskiyou County Department of Education</b>			
National Forest - Dependent Rural Communities	10044	10.670	120,562
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>151,388</b>
<b>FEDERAL AWARDS</b>			
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Student Financial Assistance Cluster</b>			
Federal Supplemental Education Opportunity Grants		84.007	43,000
Federal Direct Student Loans		84.268	2,239,736
Federal Work-Study Program		84.033	44,226
Federal Pell Grant Program		84.063	3,006,527
<b>Total Student Financial Assistance Cluster</b>			<b>5,333,489</b>
<b>TRIO Cluster</b>			
Student Support Services		84.042	215,848
Upward Bound		84.047	331,445
<b>Total TRIO Cluster</b>			<b>547,293</b>
<b>TOTAL DIRECT U.S. DEPARTMENT OF EDUCATION AWARDS</b>			<b>5,880,782</b>
<b>Passed Through State Department of Education</b>			
Career and Technical Education - Basic Grants to States	13-112-110	84.048	123,764
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>6,004,546</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 6,155,934</b>

*See the accompanying notes to the supplementary information.*

**Siskiyou Joint Community College District**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
Year Ended June 30, 2016

	Cash Received	Accounts Receivable	Deferred Income	Total	Program Expenditures
Basic skills	\$ 90,000	\$ -	\$ 65,516	\$ 155,516	\$ 155,516
C.A.R.E	71,987	-	(35,067)	36,920	36,920
California Career Pathways Trust	3,000,000	-	(1,512,032)	1,487,968	1,487,968
CalWORKS	135,827	-	(91,658)	44,169	44,169
CTE Adult Education	961,082	-	(207,425)	753,657	753,657
CTE Enhancement Grants	95,327	-	217,924	313,251	313,251
DSP&S	323,572	-	-	323,572	323,572
E.O.P.S	450,430	-	(26,688)	423,742	423,742
Instructional equipment	40,000	-	6,024	46,024	46,024
Matriculation	495,279	-	(188,667)	306,612	306,612
Nursing enrollment and growth	51,048	4,439	-	55,487	55,487
SFAA	172,180	-	-	172,180	172,180
Student Equity	268,754	-	(141,272)	127,482	127,482
All other categorical	219,416	73,636	3,755	296,807	296,807
<b>Total State Programs</b>	<b>\$ 6,374,902</b>	<b>\$ 78,075</b>	<b>\$ (1,909,590)</b>	<b>\$ 4,543,387</b>	<b>\$ 4,543,387</b>

See the accompanying notes to the supplementary information.

# Siskiyou Joint Community College District

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (FORM CCFS-311) WITH AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2016

	General Fund	Bond Interest and Redemption Fund	Measure A Interest and Redemption Fund	Cafeteria Fund	Dormitory Revenue Fund	Dormitory Repair and Replacement Fund	Capital Outlay Fund	Bond Construction Fund	Bookstore Fund	Self-Insurance Fund	Associated Students Trust Fund	Student Financial Aid Trust Fund	Scholarship and Loan Trust Fund	Other Agency Funds	Total
<b>Annual Financial and Budget Report (CCFS-311)</b>															
<b>Fund Balance</b>	\$ 3,034,284	\$ 28,954	\$ 3,888,373	\$ 98,569	\$ 156,338	\$ 19,755	\$ 1,454,974	\$ 64,633	\$ 3,154	\$ 1,278,905	\$ 44,220	\$ 3,203	\$ 25,316	\$ -	\$ 10,100,678
Adjustment and reclassifications increasing (decreasing) the fund balance:															
District identified adjustments	-	-	-	-	-	-	-	-	-	(1,048,106)	-	-	-	-	(1,048,106)
Agency accounts not included in CCFS-311	-	-	-	-	-	-	-	-	-	-	-	-	-	55,867	55,867
Reclassification of amounts held for others	-	-	-	-	-	-	-	-	-	-	(44,221)	-	(25,316)	(55,867)	(125,404)
Rounding	-	-	-	-	-	(1)	(1)	1	-	2	1	(1)	-	-	1
<b>Net Adjustments and Reclassifications</b>	-	-	-	-	-	(1)	(1)	1	-	(1,048,104)	(44,220)	(1)	(25,316)	-	(1,117,642)
<b>Audited Financial Statements Fund Balances</b>	\$ 3,034,284	\$ 28,954	\$ 3,888,373	\$ 98,569	\$ 156,338	\$ 19,754	\$ 1,454,973	\$ 64,634	\$ 3,154	\$ 230,801	\$ -	\$ 3,202	\$ -	\$ -	\$ 8,983,036

See the accompanying notes to the supplementary information.

# Siskiyou Joint Community College District

## RECONCILIATION OF 50% LAW CALCULATION

Year Ended June 30, 2016

	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>Academic Salaries</b>							
Instructional salaries:							
Contract or regular	1100	\$ 2,313,637	\$ -	\$ 2,313,637	\$ 2,313,637	\$ -	\$ 2,313,637
Other	1300	1,632,433	-	1,632,433	1,632,433	-	1,632,433
<b>Total Instructional Salaries</b>		<b>3,946,070</b>	<b>-</b>	<b>3,946,070</b>	<b>3,946,070</b>	<b>-</b>	<b>3,946,070</b>
Non-instructional salaries:							
Contract or regular	1200	-	-	-	1,238,785	-	1,238,785
Other	1400	-	-	-	105,998	-	105,998
<b>Total Non-Instructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,344,783</b>	<b>-</b>	<b>1,344,783</b>
<b>Total Academic Salaries</b>		<b>3,946,070</b>	<b>-</b>	<b>3,946,070</b>	<b>5,290,853</b>	<b>-</b>	<b>5,290,853</b>
<b>Classified Salaries</b>							
Non-instructional salaries:							
Regular status	2100	-	-	-	2,640,556	-	2,640,556
Other	2300	-	-	-	159,105	-	159,105
<b>Total Non-Instructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2,799,661</b>	<b>-</b>	<b>2,799,661</b>
Instructional aides:							
Regular status	2200	129,916	-	129,916	169,362	-	169,362
Other	2400	420,566	-	420,566	421,138	-	421,138
<b>Total Instructional Aides</b>		<b>550,482</b>	<b>-</b>	<b>550,482</b>	<b>590,500</b>	<b>-</b>	<b>590,500</b>
<b>Total Classified Salaries</b>		<b>550,482</b>	<b>-</b>	<b>550,482</b>	<b>3,390,161</b>	<b>-</b>	<b>3,390,161</b>
Other:							
Employee benefits	3000	1,594,283	-	1,594,283	4,048,580	-	4,048,580
Supplies and materials	4000	-	-	-	281,443	-	281,443
Other operating expenses	5000	2,843,958	-	2,843,958	5,382,836	-	5,382,836
Equipment replacement	6420	-	-	-	1,194	-	1,194
<b>Total Other</b>		<b>4,438,241</b>	<b>-</b>	<b>4,438,241</b>	<b>9,714,053</b>	<b>-</b>	<b>9,714,053</b>
<b>Total Expenditures Prior to Exclusions</b>		<b>\$ 8,934,793</b>	<b>\$ -</b>	<b>\$ 8,934,793</b>	<b>\$ 18,395,067</b>	<b>\$ -</b>	<b>\$ 18,395,067</b>

See the accompanying notes to the supplementary information.

# Siskiyou Joint Community College District

## RECONCILIATION OF 50% LAW CALCULATION

Year Ended June 30, 2016

(Continued)

	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>EXCLUSIONS</b>							
<b>Activities to Exclude</b>							
Instructional staff-retirees' benefits and retirement incentives	5900	\$ 351,107	\$ -	\$ 351,107	\$ 351,107	\$ -	\$ 351,107
Student health services above amount collected	6441	-	-	-	750	-	750
Student transportation	6491	-	-	-	179,711	-	179,711
Non-instructional staff retirees' benefits and retirement incentives	6740	-	-	-	341,479	-	341,479
<b>Subtotal</b>		<b>351,107</b>	<b>-</b>	<b>351,107</b>	<b>873,047</b>	<b>-</b>	<b>873,047</b>
<b>Objects to Exclude</b>							
Rents and leases	5060	-	-	-	50,957	-	50,957
Lottery expenditures:							
Academic salaries	1000	-	-	-	99,276	-	99,276
Classified salaries	2000	-	-	-	44,631	-	44,631
Employee benefits	3000	-	-	-	59,031	-	59,031
<b>Subtotal</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>253,895</b>	<b>-</b>	<b>253,895</b>
Supplies and materials:	4000						
Software	4100	-	-	-	-	-	-
Books, magazines, and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Non-instructional supplies and materials	4400	-	-	-	-	-	-
<b>Subtotal</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other operating expenses and services	5000	-	-	-	226,826	-	226,826
Capital outlay:	6000						
Library books	6300	-	-	-	-	-	-
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
<b>Total Capital Outlay</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other outgo	7000	-	-	-	-	-	-
<b>TOTAL EXCLUSIONS</b>		<b>351,107</b>	<b>-</b>	<b>351,107</b>	<b>1,353,768</b>	<b>-</b>	<b>1,353,768</b>
<b>Total for ECS 84362 - 50% Law</b>		<b>\$ 8,583,686</b>	<b>\$ -</b>	<b>\$ 8,583,686</b>	<b>\$ 17,041,299</b>	<b>\$ -</b>	<b>\$ 17,041,299</b>
<b>Percentage of CEE (Instructional Salary Cost/Total CEE)</b>		<b>50.37%</b>	<b>0.00%</b>	<b>50.37%</b>			
<b>50% of Current Expense of Education</b>					<b>\$ 8,520,650</b>	<b>\$ -</b>	<b>\$ 8,520,650</b>

See the accompanying notes to the supplementary information.



**Siskiyou Joint Community College District**

**RECONCILIATION OF EDUCATION PROTECTION ACCOUNT EXPENDITURES**

Year Ended June 30, 2016

	<b>Object Code</b>	<b>Salaries and Benefits (1000-3000)</b>	<b>Operating Expenses (4000-5000)</b>	<b>Capital Outlay (6000)</b>	<b>Total</b>
<b>EPA PROCEEDS</b>	8630			\$	2,868,981
<b>Activity Classification</b>					
Instructional activities	0100-5900	\$ 1,990,145	\$ 101,771	\$ 4,165	2,096,081
Admissions and records	6200	263,355	10,077	584	274,016
Counseling and guidance	6310	265,063	2,056	432	267,551
Matriculation and student assessment	6320	8,761	-	-	8,761
Financial aid administration	6460	150,091	45,685	4,682	200,458
Veterans services	6480	22,114	-	-	22,114
<b>TOTAL EXPENDITURES FOR EPA</b>		\$ 2,699,529	\$ 159,589	\$ 9,863	\$ 2,868,981
<b>Total Revenue Less Expenditures</b>				\$	-

*See the accompanying notes to the other supplementary information.*

# Siskiyou Joint Community College District

## COMBINING BALANCE SHEET – DISTRICT FUNDS INCLUDED IN THE REPORTING ENTITY

June 30, 2016	General Fund	Bond Interest and Redemption Fund	Measure A Interest and Redemption Fund	Cafeteria Fund	Dormitory Revenue Fund	Dormitory Repair and Replacement Fund	Capital Outlay Fund	Bond Construction Fund	Bookstore Fund	Self-Insurance Fund	Associated Students Trust Fund	Student Financial Aid Trust Fund	Scholarship and Loan Trust Fund	Other Agency Funds	Total
<b>ASSETS</b>															
Cash and cash equivalents	\$ 6,270,920	\$ 20,008	\$ 4,302,828	\$ 211,898	\$ 457,484	\$ 16,725	\$ 766,358	\$ 70,959	\$ 257,217	\$ 91,239	\$ 47,964	\$ 501,167	\$ 21,569	\$ 43,675	\$ 13,080,011
Accounts receivable - net	2,660,747	42	9,060	98,779	80,375	35	28,539	150	92,459	4,199	20,381	92,747	1,943	4,568	3,094,024
Due from other funds	828,183	8,904	-	-	-	2,994	-	-	-	149,221	-	-	1,804	9,326	1,000,432
Due from Foundation	297,028	-	-	-	-	-	-	-	-	-	-	-	-	-	297,028
Inventory and prepaids	405,316	-	-	-	-	-	2,400	-	174,951	-	-	-	-	-	582,667
<b>TOTAL ASSETS</b>	<b>\$ 10,462,194</b>	<b>\$ 28,954</b>	<b>\$ 4,311,888</b>	<b>\$ 310,677</b>	<b>\$ 537,859</b>	<b>\$ 19,754</b>	<b>\$ 797,297</b>	<b>\$ 71,109</b>	<b>\$ 524,627</b>	<b>\$ 244,659</b>	<b>\$ 68,345</b>	<b>\$ 593,914</b>	<b>\$ 25,316</b>	<b>\$ 57,569</b>	<b>\$ 18,054,162</b>
<b>LIABILITIES AND FUND EQUITY (DEFICIT)</b>															
<b>Liabilities</b>															
Accounts payable	\$ 4,148,472	\$ -	\$ 356,047	\$ 50,906	\$ 8,420	\$ -	\$ 56,097	\$ -	\$ 13,416	\$ -	\$ 365	\$ -	\$ -	\$ 1,702	\$ 4,635,425
Advances from grantors and students	3,279,438	-	-	-	-	-	-	-	-	-	7,878	8,691	-	-	3,296,007
Due to other funds	-	-	67,468	161,202	373,101	-	(713,773)	6,475	508,057	-	15,881	582,021	-	-	1,000,432
Amounts held for others	-	-	-	-	-	-	-	-	-	-	44,221	-	25,316	55,867	125,404
Estimated liability for claims and claims adjustment expense	-	-	-	-	-	-	-	-	-	13,858	-	-	-	-	13,858
<b>Total Liabilities</b>	<b>7,427,910</b>	<b>-</b>	<b>423,515</b>	<b>212,108</b>	<b>381,521</b>	<b>-</b>	<b>(657,676)</b>	<b>6,475</b>	<b>521,473</b>	<b>13,858</b>	<b>68,345</b>	<b>590,712</b>	<b>25,316</b>	<b>57,569</b>	<b>9,071,126</b>
<b>Fund Equity (Deficit)</b>															
Retained earnings (deficit)	-	-	-	-	-	-	-	-	3,154	230,801	-	-	-	-	233,955
Fund balances:															
Reserved for debt service	-	28,954	3,888,373	-	-	-	-	-	-	-	-	-	-	-	3,917,327
Reserved for capital outlay	-	-	-	-	-	19,754	-	64,634	-	-	-	-	-	-	84,388
Unreserved:															
Undesignated	3,034,284	-	-	98,569	156,338	-	1,454,973	-	-	-	-	3,202	-	-	4,747,366
<b>Total Fund Equity (Deficit)</b>	<b>3,034,284</b>	<b>28,954</b>	<b>3,888,373</b>	<b>98,569</b>	<b>156,338</b>	<b>19,754</b>	<b>1,454,973</b>	<b>64,634</b>	<b>3,154</b>	<b>230,801</b>	<b>-</b>	<b>3,202</b>	<b>-</b>	<b>-</b>	<b>8,983,036</b>
<b>TOTAL LIABILITIES AND FUND EQUITY (DEFICIT)</b>	<b>\$ 10,462,194</b>	<b>\$ 28,954</b>	<b>\$ 4,311,888</b>	<b>\$ 310,677</b>	<b>\$ 537,859</b>	<b>\$ 19,754</b>	<b>\$ 797,297</b>	<b>\$ 71,109</b>	<b>\$ 524,627</b>	<b>\$ 244,659</b>	<b>\$ 68,345</b>	<b>\$ 593,914</b>	<b>\$ 25,316</b>	<b>\$ 57,569</b>	<b>\$ 18,054,162</b>

See the accompanying notes to the supplementary information.

# Siskiyou Joint Community College District

## COMBINING STATEMENT OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND EQUITY – DISTRICT FUNDS INCLUDED IN THE REPORTING ENTITY

Year Ended June 30, 2016	General Fund	Bond Interest and Redemption Fund	Measure A Interest and Redemption Fund	Cafeteria Fund	Dormitory Revenue Fund	Dormitory Repair and Replacement Fund	Capital Outlay Fund	Bond Construction Fund	Bookstore Fund	Self-Insurance Fund	Associated Students Trust Fund	Student Financial Aid Trust Fund	Scholarship and Loan Trust Fund	Other Agency Funds	Total
<b>Operating Revenues</b>															
Tuition and fees	\$ 3,471,703	\$ -	\$ -	\$ 495,310	\$ 434,047	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,401,060
Less: Scholarship discount and allowance	(1,139,558)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,139,558)
<b>Net Tuition and Fees</b>	2,332,145	-	-	495,310	434,047	-	-	-	-	-	-	-	-	-	3,261,502
Grants and contracts - noncapital:															
Federal	744,935	-	-	-	-	-	-	-	-	-	-	-	-	-	744,935
State	4,157,613	-	-	-	-	-	-	-	-	-	-	-	-	-	4,157,613
Local	232,669	-	-	21,443	6,699	-	264,081	-	-	-	-	-	-	-	524,892
Auxiliary enterprise sales and charges	-	-	-	-	-	-	-	-	532,292	-	-	-	-	-	532,292
<b>Total Operating Revenues</b>	7,467,362	-	-	516,753	440,746	-	264,081	-	532,292	-	-	-	-	-	9,221,234
<b>Operating Expenditures/Expenses</b>															
Salaries	9,996,154	-	-	19,271	184,945	-	-	-	90,688	-	-	42,526	-	-	10,333,584
Employee benefits	4,498,088	-	-	4,571	84,375	-	-	-	28,955	(36,269)	-	1,701	-	-	4,581,421
Supplies, materials, and other expenditures/ expenses and services	7,491,664	-	3,520	427,099	75,063	-	404,757	-	412,606	22,876	-	(3,627)	-	-	8,833,958
Payments to students	271,022	-	-	-	-	-	-	-	-	-	-	-	-	-	271,022
Capital outlay	1,344,867	-	-	13,085	8,115	-	289,763	26,259	-	-	-	-	-	-	1,682,089
Utilities	714,901	-	-	20,000	71,907	-	590	-	10,000	-	-	-	-	-	817,398
<b>Total Operating Expenditures/Expenses</b>	24,316,696	-	3,520	484,026	424,405	-	695,110	26,259	542,249	(13,393)	-	40,600	-	-	26,519,472
<b>Operating Income (Loss)</b>	(16,849,334)	-	(3,520)	32,727	16,341	-	(431,029)	(26,259)	(9,957)	13,393	-	(40,600)	-	-	(17,298,238)
<b>Nonoperating Revenues (Expenditures)</b>															
State apportionments - noncapital	12,693,037	-	-	-	-	-	286,398	54,982	-	-	-	58,630	-	-	13,093,047
Education protection account revenues - noncapital	2,879,605	-	-	-	-	-	-	-	-	-	-	-	-	-	2,879,605
Local property taxes - noncapital	3,489,796	-	-	-	-	-	-	-	-	-	-	-	-	-	3,489,796
State taxes and other revenues - noncapital	580,360	-	24,045	-	-	-	-	-	-	-	-	-	-	-	604,405
Investment income - noncapital	74,203	247	40,127	-	1,650	144	-	-	-	-	-	-	-	-	116,371
Financial aid revenues - federal	-	-	-	-	-	-	-	-	-	-	-	5,336,816	-	-	5,336,816
Financial aid revenues - state	-	-	-	-	-	-	-	-	-	-	-	201,492	-	-	201,492
Financial aid expenses	(161,521)	-	-	-	-	-	-	-	-	-	-	(5,549,385)	-	-	(5,710,906)
Other nonoperating revenues	-	250	-	-	-	-	-	-	-	-	-	-	-	-	250
<b>Total Nonoperating Revenues (Expenditures)</b>	19,555,480	497	64,172	-	1,650	144	286,398	54,982	-	-	-	47,553	-	-	20,010,876
<b>Income (Loss) Before Other Revenues and Expenditures</b>	2,706,146	497	60,652	32,727	17,991	144	(144,631)	28,723	(9,957)	13,393	-	6,953	-	-	2,712,638
<b>Other Revenues and Expenditures</b>															
Investment income - capital	-	-	-	-	-	-	6,870	283	-	-	-	-	-	-	7,153
Local property taxes and revenues - capital	-	-	1,602,435	-	-	-	-	-	-	-	-	-	-	-	1,602,435
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	2,706,146	497	1,663,087	32,727	17,991	144	(137,761)	29,006	(9,957)	13,393	-	6,953	-	-	4,322,226
<b>Other Financing Sources (Uses)</b>															
Operating transfers in	144,941	245,909	-	16,971	39,163	4,000	831,125	15,842	-	-	-	1,702	-	-	1,299,653
Operating transfers out	(1,123,717)	-	-	-	(17,110)	-	(91,101)	-	-	-	-	-	-	-	(1,231,928)
Debt service	(45,956)	(245,901)	(1,293,743)	-	-	-	-	-	-	-	-	-	-	-	(1,585,600)
<b>Total Other Financing Sources (Uses)</b>	(1,024,732)	8	(1,293,743)	16,971	22,053	4,000	740,024	15,842	-	-	-	1,702	-	-	(1,517,875)
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	1,681,414	505	369,344	49,698	40,044	4,144	602,263	44,848	(9,957)	13,393	-	8,655	-	-	2,804,351
<b>Fund Equity - Beginning of Year</b>	1,352,870	28,449	3,519,029	48,871	116,294	15,610	852,710	19,786	13,111	217,408	-	(5,453)	-	-	6,178,685
<b>Fund Equity - End of Year</b>	\$ 3,034,284	\$ 28,954	\$ 3,888,373	\$ 98,569	\$ 156,338	\$ 19,754	\$ 1,454,973	\$ 64,634	\$ 3,154	\$ 230,801	\$ -	\$ 3,202	\$ -	\$ -	\$ 8,983,036

See the accompanying notes to the supplementary information.

**Siskiyou Joint Community College District**  
**RECONCILIATION OF FUND EQUITY TO NET POSITION**

June 30, 2016

<b>Total Fund Equity - District Funds Included in the Reporting Entity</b>	\$	8,983,036
Assets recorded within the statement of net position not included in the District fund financial statements:		
Nondepreciable capital assets		441,206
Depreciable capital assets	\$ 57,029,754	
Accumulated depreciation	(17,794,731)	
<b>Total Capital Assets - Net</b>		39,235,023
Deferred outflows recorded within the statement of net position not included in the District fund financial statements:		
Deferred loss on refunding		666,427
Deferred outflows from pensions		1,577,859
Liabilities recorded within the statement of net position not recorded in the District fund financial statements:		
Compensated absences		(366,336)
Long-term debt		(29,427,692)
Pension liability		(11,156,414)
Other postemployment benefit asset (obligation)		(1,587,235)
Deferred outflows recorded within the statement of net position not included in the District fund financial statements:		
Deferred inflows from pensions		(1,116,854)
<b>Net Assets Reported Within the Statement of Net Position</b>	\$	7,249,020

*See the accompanying notes to the supplementary information.*

## Siskiyou Joint Community College District

### RECONCILIATION OF CHANGE IN FUND EQUITY TO CHANGE IN NET POSITION

June 30, 2016

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<b>Change in Fund Equity - District Funds Included in the Reporting Entity</b>	\$ 2,804,351
Compensated absence expense not reported within the GASB 35 Statements	(80,650)
Depreciation expense reported within the GASB 35 Statements	(1,754,786)
Accretion of general obligation bonds reported within the GASB 35 Statements	(345,911)
Amortization of bond premiums reported within the GASB 35 Statements	66,325
Amortization of deferred loss on refunding	(47,320)
Capital outlay expense not reported within the GASB 35 Statements	1,251,639
Pension expense reported within the GASB 35 Statements	(259,247)
Other postemployment benefits expense reported within the GASB 35 Statements	290,517
Principal payments on debt not reported within the GASB 35 Statements	615,304
<b>Change in Net Position Reported Within the Statement of Revenues, Expenses, and Changes in Net Position</b>	<b>\$ 2,540,222</b>

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*See the accompanying notes to the supplementary information.*

**1. PURPOSE OF SCHEDULES**

**Schedule of Workload Measures for State General Apportionment**

The schedule of workload measures for state general apportionment annualized attendance as of June 30, 2016, represents the basis of apportionment of the District's annual source of funding.

**Schedules of Expenditures of Federal Awards**

This schedule includes the federal activity of the District under programs of the federal government for the year ended June 30, 2016. 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* (the Uniform Guidance).

Expenses reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenses are not allowable or are limited as to reimbursement.

The District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Schedules of Expenditures of State Awards**

This schedule includes the state activity of the District under categorical programs of the state of California for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of the *California Community Colleges Contracted District Audit Manual 2015-16*.

Expenses reported on this schedule are reported on the accrual basis of accounting.

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

This schedule provides the information necessary to reconcile the fund balance of all funds as reported on Form CCFS-311 to the District accounting records.

**Reconciliation of 50% Law Calculation**

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

**Reconciliation of Education Protection Account Expenditures**

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

# Siskiyou Joint Community College District

## NOTES TO THE SUPPLEMENTARY INFORMATION

(Continued)

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### **Reconciliation of Fund Equity to Net Position and Reconciliation of Change in Fund Equity to Change in Net Position**

These schedules provide the information necessary to reconcile the supplemental combining financial schedules to the audited financial statements.

## **2. COMBINING FINANCIAL STATEMENT SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting*** The accompanying combining balance sheet – District funds included in the reporting entity, and the combining statement of revenues, expenditures/expenses, and changes in fund equity – are presented on the modified accrual basis of accounting with the exception of the Self-Insurance Fund, which is presented on the accrual basis of accounting consistent with the preparation in the entity-wide financial statements.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable” and “available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property taxes available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Property taxes, franchise taxes, licenses, interest revenue, and charges for services are susceptible to accrual. Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

The District reports advances of revenues on its combining balance sheet. Advances of revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Advances of revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for advances of revenue is removed and revenue is recognized.

## **3. LOAN PROGRAM**

The District is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program. Accordingly, the value of these outstanding loans is not reflected in the District’s financial statements. It is not practical to determine the balance of loans outstanding to students of the District under this program as of June 30, 2016.

## **OTHER REPORTS SECTION**





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

To the Board of Trustees  
Siskiyou Joint Community College District  
Weed, California

We have audited, 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, the financial statements of the business-type activities and the discretely presented component unit of Siskiyou Joint Community College District (the District) as of and for the year ended June 30, 2016; and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2016.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

(Continued)

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 to 2016-004.

**The District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of This Report**

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

*KCoe Jam, LLP*

November 28, 2016  
Chico, California

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees  
Siskiyou Joint Community College District  
Weed, California

### **Report on Compliance for Each Major Federal Program**

We have audited Siskiyou Joint Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditors' Responsibility***

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

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

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

(Continued)

***Qualified Opinion on Student Financial Assistance Cluster***

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

***Basis for Qualified Opinion on Student Financial Assistance Cluster***

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the Student Financial Assistance Cluster as described in finding numbers 2016-001 and 2016-002 for Eligibility and 2016-003 and 2016-004 for Special Tests. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

The District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

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

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

(Continued)

*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.

**Purpose of This Report**

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.

*KCoe Team, LLP*

November 28, 2016  
Chico, California

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Trustees  
Siskiyou Joint Community College District  
Weed, California

### **Compliance**

We have audited the Siskiyou Joint Community College District's (the District) compliance with the types of state compliance requirements described in the *California Community Colleges Contracted District Audit Manual 2015-16*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2016. The applicable state compliance requirements are identified in the table below.

### **Management's Responsibility**

Compliance with the requirements referred to above is the responsibility of the District's management.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on District's compliance with the state laws and regulations based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual 2015-16*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2015-16*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination of the District's compliance with those requirements.

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

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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  
Concurrent Enrollment of K-12 Students in Community College Credit Courses  
Student Success and Support Program  
Scheduled Maintenance Program  
GANN Limit Calculation  
Open Enrollment  
Student Fees - Health Fees and Use of Health Fees  
Proposition 39 Clean Energy Fund  
Intersession Extension Programs  
Disabled Student Programs and Services (DSPS)  
To be Arranged Hours (TBA)  
Proposition 1D State Bond Funded Projects  
Proposition 30 Education Protection Account Funds

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### **Opinion**

In our opinion, the District complied, in all material respects, with the state laws and regulations referred to above that are applicable to the District for the year ended June 30, 2016.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with the state laws and regulations referred to above that are required to be reported in accordance with the *California Community Colleges Contracted District Audit Manual 2015-16*, which is described in the accompanying schedule of findings and questioned costs as item 2016-005. Our opinion on state compliance is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

*KCae Isom, LLP*

November 28, 2016  
Chico, California

## **FINDINGS AND QUESTIONED COSTS SECTION**



**Siskiyou Joint Community College District**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2016

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**SECTION I**  
**SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major program:	Qualified
Audit findings disclosed that are required to be reported in accordance with 2 CRF 200.516(a)?	No
Identification of major programs:	
CFDA No. 84.007	Federal Supplemental Education Opportunity Grants
CFDA No. 84.033	Federal Work-Study Program
CFDA No. 84.063	Federal Pell Grant Program
CFDA No. 84.268	Federal Direct Student Loan
Threshold for distinguishing types A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for state program:	Unmodified

**Siskiyou Joint Community College District**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2016  
(Continued)

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**SECTION II FINDINGS**  
**FINANCIAL STATEMENT AUDIT**

None.

**SECTION III FINDINGS**  
**FEDERAL AWARDS AUDIT**

**FEDERAL COMPLIANCE (Student Financial Assistance Cluster – Eligibility)**  
2016-001

**Significant Deficiency**

**Condition** During our testing of federal Pell grant awards, we noted that 1 out of 40 students tested was disbursed Pell grant awards based on full-time enrollment status when the student was not enrolled.

**Criteria** At the time a disbursement is made to a student for a payment period, an institution must confirm that the student is eligible for the type and amount of Title IV, HEA program funds identified by that disbursement (34 CFR 668.164(b)(3)). The amount of the award is based on the enrollment status of the student as of the second disbursement date. Pursuant to CCR Title V Section 58004 and local board adopted procedures, instructors must affirm or certify a written statement on the electronic class roster that indicates all inactive students have been dropped on the class roster as of the census date.

**Cause** The instructor failed to clear the roster at census date as required resulting in an overpayment of the Pell grant award.

**Effect** The student was paid the Pell grant award based on full-time status when not eligible for a Pell grant award resulting in an overpayment of \$1,497.

**Recommendation** We recommend that the District provide additional training to instructors to ensure that the student's current enrollment status is accurate since the enrollment status is used to calculate student's Pell grant awards.

**Response** The District will develop a process whereby the Registrar will confirm with the instructor and the Financial Aid department before dropping a student to ensure proper enrollment status for financial aid disbursement purposes.

## Siskiyou Joint Community College District

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

(Continued)

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#### FEDERAL COMPLIANCE (Student Financial Assistance Cluster – Eligibility)

2016-002

##### Significant Deficiency

**Condition** During our testing of federal Pell grant awards, we noted that 3 out of 40 students tested indicated different transaction numbers when comparing the common origination and disbursement (COD) system to the instructional student information record (ISIR).

**Criteria** Institutions must report student payment data within 30 days after the school makes a payment, or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (34 CFR section 690.83(b) and Federal Register).

**Cause** The District did not have proper controls in place to review and report the ISIR changes to the COD system.

**Effect** Inaccuracies of student information in COD increases the risk that students may not receive the correct amount of financial aid award to which they are entitled, and the level of Pell authorization for an institution is affect by the accuracy with which the Pell information is reported in the COD system. A difference in the transaction numbers in the COD system and the ISIR indicates that changes were made on the ISIR. Such changes may affect the student's eligibility to receive student financial aid awards or change the amounts awarded.

**Recommendation** We recommend that the District monitor changes in the ISIR and reconcile to the COD system to be sure there are no changes affecting the student's eligibility or award amounts. The District should continue its efforts to ensure that information provided through the COD system is complete and accurate.

**Response** The District agrees and found three students with inconsistencies regarding transactions paid in our records compared to COD. Upon further review, all three students were correctly paid. Transactions were received after payment because ISIR record was not locked in Banner. No change to EFC's and none of the three students were selected for verification. The District has just recently filled a new financial aid position. This staff member is receiving training which will result in a more thorough review and reconciliation of the ISIR and COD systems.

## Siskiyou Joint Community College District

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

(Continued)

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#### FEDERAL COMPLIANCE (Student Financial Assistance Cluster – Special Tests – Verification)

2016-003

##### Significant Deficiency

**Condition** During our testing of verification, we noted that verification was not completed prior to the second disbursement date for 7 out of the 40 students. Additionally, upon further discussion with the District, it was noted that there were 310 student files that were not verified properly prior to the second disbursement.

**Criteria** An institution must establish and use written policies and procedures for verifying an applicant's information (34 CFR 668.53). If an institution does not have reason to believe that an applicant's information is inaccurate prior to verification, the institution may only make one disbursement prior to the verification (34 CFR 668.58).

**Cause** The verification process was not being completed by one of the student financial aid technicians.

**Effect** Since the second disbursements were made based on improper verification, financial aid awards may have been provided to ineligible students. However, once it was identified by the District that this was occurring, the District completed the verifications and returned \$21,836 of funds as a result of disbursing to ineligible students.

**Recommendation** We recommend that the financial aid technicians receive training on the verification process. Additionally, we recommend that management provide oversight to insure that this process is being completed on a regular basis.

**Response** In November 2015, the Financial Aid Director discovered that verification was incorrectly performed after the first and second fall disbursements were made which prompted a total file review of 310 files in order to ensure that the District was in compliance with federal regulations regarding financial aid verification. After the review of 310 files, a total of 12 students did not complete the verification process or had an EFC increase which made them ineligible for the funds they received. A total of \$21,836 Title IV funds were returned by the District on April 6, 2016. Subsequently, 3 of these 12 students were verified and awarded bringing the net amount of Title IV funds returned to \$17,166.

Additionally, two new staff members have been hired and are going through training. Documents and file review processes are in place to ensure that verifications are being completed accurately and according to federal regulations.

**FEDERAL COMPLIANCE (Student Financial Assistance Cluster – Special Tests - Direct Loans)**  
2016-004

**Significant Deficiency**

**Condition** Eight out of ten Direct Loan student files selected for testing did not contain evidence that the borrower's right to cancel letter was completed.

**Criteria** The institution must notify the student, or parent, in writing of (1) the date and the amount of the disbursement; (2) the student's right, or the parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan or returned to the Department of Education; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan (34 CFR section 668.165(a)(6)(i)). The institution must make this notification to the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution.

**Cause** While the District indicates that the borrower's right to cancel letter was completed, copies of the letters or mail logs were not kept as documentation to support their assertion.

**Effect** If the District does not provide the student or parent with the borrower's right to cancel letter, the student or parent are not given the chance to cancel the loans.

**Recommendation** We recommended that the District create an electronic notification provided to each student or parent within 30 days of the first disbursement of student loans. This notification should be integrated into the District software to document the date this letter was sent. Alternatively, the District may continue mailing paper letters to each student or parent provided that a copy of the letter is kept in the student file.

**Response** The District has developed a report with the assistance of an Ellucian consultant to create an electronic email notification related to the 'Borrower's Right to Cancel' letter in order to meet the federal 30-day notification requirement. The email will be created and sent on the dates the loan disbursements are created. This can be verified in Banner on the RUAMAIL page.

**SECTION IV FINDINGS**  
**STATE AWARDS AUDIT**

**STATE COMPLIANCE (State General Apportionment Funding System)**  
2016-005

**Immaterial Instance on Noncompliance**

**Condition** During our testing of state general apportionment funding system, we noted that 1 out of 58 courses tested did not properly report the correct number of full-time equivalent students (FTES). The identified course was an actual-hours-of-attendance census-type course.

**Criteria** The total student contact hours reported for each class under the actual hours of attendance procedure should be the sum of the individual attendance hours total for each student in the class as reported by the instructor (5 CCR 58003.1(d) and 5 CCR 58003.1(g)).

**Cause** Contact hours for positive attendance courses are manually keyed into the District software. For one student in one of the courses, contact hours were keyed in by the instructor as 24 hours instead of 54 hours.

**Effect** Without strengthening internal controls over the FTES reporting process, attendance apportionment may not be properly claimed. The District erroneously underreported 30 contact hours, or .06 FTES. The extrapolation of this error to the entire population of actual hours of attendance type courses resulted in 3.02 FTES under reported.

**Recommendation** We recommend that the District reconcile actual hours attendance records to the hours submitted by the instructor.

**Response** The District will work with the Instruction Office to develop a process for verification of positive attendance hours.

**Siskiyou Joint Community College District**

**CORRECTIVE ACTION PLAN**

June 30, 2016

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The District's corrective action plan has been issued as a separate letter.



**STATE COMPLIANCE (General Apportionment)**  
2015-001

**Immaterial Instance of Noncompliance**

**Condition** The District claimed apportionment for one student for one class that was cancelled.

**Criteria** The Student Attendance Account Manual (SAAM) sets forth guidelines on the calculation of contact hours for apportionment attendance reporting.

**Effect** This noncompliance issue resulted in an overstatement of 0.10 credit FTES. As all cancelled classes were tested, no extrapolation of this error is necessary.

**Recommendation** We recommend that the District make appropriate changes to their Banner software so that classes cancelled prior to the census date are not claimed for apportionment.

**Response** The District will take steps to ensure that when class is cancelled prior to the census date, Banner will be updated so there is no attendance claimed in the apportionment calculations.

**Current Status** Fully implemented.