December 20, 2016

Memorandum of Understanding
Between
Palomar Faculty Federation, AFT Local 6161
And
Palomar Community College District

This Memorandum of Understanding (MOU) between the Palomar Faculty Federation, AFT Local 6161 ("PFF") and the Palomar Community College District ("District") is entered into between the parties hereto with respect to Article 17, Section 17.7.2 EAC Report.

The parties agree that effective immediately, Article 17, Section 17.7.2 EAC Report, is hereby amended to state as follows:

The Evaluation Appeals Committee (EAC) Report must be submitted to the Superintendent/President no later than the second Friday of February for consideration in the Superintendent/President's recommendation to the Governing Board for rehire or tenure.

Dated: 1/4/17 By: [signature]
Ron Perez
Assistant Superintendent/Vice President
Finance & Administrative Services

Dated: 12/22/2016 By: [signature]
Bill Shaeffer
Rutan & Tucker, LLP
District Chief Negotiator

Dated: 1/3/2017 By: [signature]
Teresa Laughlin
Lead Negotiator, PFF

Dated: By:
Shannon Lienhart
Co-President, PFF

Dated: By:
Colleen Bixler
Co-President, PFF

January 3, 2017

MEMORANDUM OF UNDERSTANDING

BETWEEN THE PALOMAR COMMUNITY COLLEGE DISTRICT

AND THE PALOMAR FACULTY FEDERATION

This Memorandum of Understanding ("MOU") is entered by and between the PALOMAR COMMUNITY COLLEGE DISTRICT ("District") and the PALOMAR FACULTY FEDERATION ("PFF") and is with respect Appendix B - Workload Schedule.

The parties agree that for the Spring 2017 semester only, the Workload Schedule for the two full-time instructors who teach Cabinet and Furniture Technology shall remain at the current eighteen (18)-hour lecture/lab load assignment. Commencing with the Fall 2017 semester and thereafter, all the full-time instructors in the Trade and Industry Department will convert to the standard fifteen (15)-hour lecture/lab load assignment.

(Signatures on the following page.)

Dated: 1/4/17	By Ron Perez Assistant Superintendent/Vice President Finance & Administrative Services
Dated: 1/3/2017	By: Bill Shaeffer Rutan & Tucker, LLP District Chief Negotiator
Dated: 1/3/2017	By: Teresa Laughlin Lead Negotiator, PFF

PALOMAR COMMUNITY COLLEGE DISTRICT
EDUCATIONAL ADMINISTRATOR
EMPLOYMENT CONTRACT 2017-2019

This employment contract (hereinafter referred to as the "Agreement") is made and entered into this tenth day of January, 2017 of by and between the Governing Board of the Palomar Community College District (hereinafter referred to as the "Board" and "District") and **Adrianne Chun** (hereinafter referred to as the "Employee").

WHEREAS it is the desire of the Board to employ Employee in the Position of **Director, Financial Aid, Veterans, and Scholarship Services** (hereinafter referred to as "Position").

NOW, THEREFORE, the parties mutually agree as follows:

1. **EMPLOYMENT.** The Board hereby offers to employ Employee in the above identified Position on the conditions contained in this Agreement. Employee is a member of the Administrative Team as described in the Administrative Team Handbook adopted by the Board, an academic employee as defined by Education Code section 87001(a), an educational administrator as defined in Education Code section 87002(b), and a management employee as defined by Government Code section 3540.1(g). The Employee and the Board agree that this Agreement is not binding or enforceable unless it is ratified by the Board in open session at a regular meeting of the Board.

2. **STATUTORY AUTHORIZATION AND EXTENSION.** This Agreement is a contract of employment entered into pursuant to Education Code section 72411(a). Employee understands upon Employee's execution of this Agreement and its adoption by the Board, this Agreement will automatically renew upon its expiration, and Employee will automatically be reemployed for one (1) additional year upon the expiration of this Agreement, unless the Governing Board provides written notice to Employee on or before March 15, 2018, of its intention not to reemploy Employee in Position for one additional academic year. If the Governing Board provides such written notice to Employee, Employee's employment in Position and this Agreement will terminate effective January 22, 2019, without further action by the Board, subject to the provisions of paragraph 3.

3. **RETREAT/RETURN RIGHTS.** If the Governing Board provides notice to Employee of non-renewal of this Agreement, and Employee has seniority in another administrator or non-administrator education position in the District, such Employee may have the right to return to such position upon the expiration of this Agreement provided that Employee is not termination for cause.

4. **TERM**. The term of this Agreement shall begin on **January 23, 2017**, and continue through and including **January 22, 2019** or unless extended pursuant to paragraph 2.

Employee shall be required to render full time and regular service to the District during the period covered by this Agreement. This Agreement shall be renewable or extended only by mutual, written agreement of the parties as set forth in paragraph 2 above. In no event shall this Agreement be interpreted in any way to authorize the renewal or extension of this Agreement for a term of more than twenty-four (24) months. It is expressly understood, however, that if the position referred to in this Agreement is funded by a grant, categorical program, or other monies not in the District's unrestricted general fund, and if funding is discontinued, the Agreement will terminate on June 30 of the fiscal year in which the funding was discontinued, provided further that the District has given Employee written notice before May 15 of the year in which the funding is not received.

5. **SALARY.** Employee shall be compensated in accordance with the Administrative Salary Schedule as established, approved and revised from time to time by the Board, at salary at Salary Grade **68/2** from January 22, 2017 through June 30, 2017, at salary grade **68/3** from July 1, 2017 through June 30, 2018, and at salary grade **68/4** from July 1, 2018 through January 22, 2019. The Board reserves the right to increase or decrease the schedule including across the board salary reduction or furloughs on the same basis and for the same time as faculty bargaining unit reductions. Any actions to modify the salary schedule shall not be interpreted as a new Agreement for employment or renewal or extension of this Agreement. The Board reserves the right to increase the Employee's salary. However, any action to increase the salary of the Employee shall not be interpreted as a new Agreement for employment or a renewal or extension of this Agreement.

6. **DUTIES.** Employee will perform the duties of the above Position as set forth in any Position description adopted by the Board, and all other duties as shall be assigned or required by the Superintendent/President, or designee, provided that such additional duties shall be consistent with Employee's Position. The Board may adopt or amend the Position description for the Employee's Position at any time as long as the modifications are not inconsistent with the terms of the Agreement. The Board reserves the right to reassign the Employee at any time during the term of this Agreement to another educational or student services administrative Position within the District. Reassignment during the term of this Agreement solely for discretionary reasons will not result in a reduction of the Employee's compensation during the term of this Agreement. Reassignment will be made in compliance with the California Education Code and the Administrative Handbook.

7. **EXCLUSION FROM OVERTIME PROVISIONS.** Employee shall be exempt from the minimum wage and overtime provisions of the Fair Labor Standards Act and the California Education Code, and shall not be entitled to compensatory time off.

8. **VACATION AND SICK LEAVE.** Employee is entitled to accrue twenty-four (24) working days of vacation annually in accordance with the Administrative Vacation Policy set forth in the Administrative Team Handbook as adopted by the Board. Vacation days are exclusive of holidays otherwise granted to twelve (12) month regular administrative employees of the District. Employee is entitled to accrue twelve (12) days of paid sick

leave for illness or injury. Employee is eligible for any leaves authorized by law or provided in the Administrative Association Handbook as adopted by the Board

9. **FRINGE BENEFITS.** Employee shall be afforded all fringe benefits of employment which are provided to the District's regular educational and student services administrators for which they are eligible under the terms of the Administrative Team Handbook.

10. **TRAVEL.** Necessary transportation and travel expenses will be provided in accordance with policies duly adopted by the Board.

11. **SERVICE CLUBS AND COMMUNITY ORGANIZATIONS.** The Board authorizes payment of dues and meals for meetings of one service or community organization. Funds shall be allocated to the appropriate expense accounts in the annual budget approved by the Governing Board.

12. **APPLICABLE LAW.** This Agreement is subject to all applicable laws of the State of California, the rules and regulations of the State Board of Governors, and the rules, regulations, and policies of the Board, all of which are made a part of the terms and conditions of this Agreement as though set forth herein, to the extent that such terms are not inconsistent with the lawful terms of this Agreement.

13. **MAXIMUM CASH SETTLEMENT UPON TERMINATION OF THIS AGREEMENT WITHOUT CAUSE.** Regardless of the term of this Agreement, the Board may terminate this Agreement at any time prior to the date on which the term of this Agreement would have otherwise expired, without cause. In such an event, the maximum cash settlement that the Employee shall receive will be an amount equal to the monthly base salary of the Employee multiplied by the number of months remaining on the unexpired term of this Agreement, or eighteen (18) months, whichever is less, minus any amount(s) that could have been earned if the Employee has retreat rights, and an instructional Position is offered for the balance of the term of this Agreement. Any cash settlement shall not include any other noncash items except health benefits, which may be continued for the same duration of time as covered in the settlement, or until Employee finds other employment, whichever occurs first. The intent of this provision is to satisfy the requirements of Government Code sections 53260-53264, and this provision shall be interpreted in a manner consistent with those statutes.

The District agrees to pay Employee the lump sum cash payment ("Severance Pay"), less legally required for authorized deductions except contributions to CalSTRS, within fifteen (15) days of the effective date of termination.

In exchange for and as a condition to receipt of the Severance Pay, Employee shall execute a release and waiver, in a form acceptable to the legal counsel for the District, releasing the District, and all of its elected officers, employees, agents, representations, and attorneys, from any claim associated with the termination.

14. TERMINATION OF THIS AGREEMENT DURING ITS TERM WITH CAUSE. The Board may terminate this Agreement during its term and discharge Employee if Employee commits a material and substantial breach of this Agreement and/or for cause. Such breach of Agreement and discharge shall nullify the terms of this Agreement and Employee shall cease to receive any form of compensation upon the effective date of termination. The term "cause" is defined as those actions, omissions, or behaviors which are detrimental to the operations of the District and/or its major instructional, student and administrative divisions, or which impair the District's mission, purpose, or objectives. Conduct which constitutes a breach of contract and cause for discharge, includes, but is not limited to: unsatisfactory work performance, dishonesty, misconduct, unprofessional conduct, or insubordination. Disciplinary actions, up to and including discharge from employment, shall be carried out in compliance with the disciplinary provisions applicable to administrative employees as set forth in the Administrative Team Handbook as adopted by the Board.

15. PROVISIONS OF GOVERNMENT CODE SECTIONS 53243.3-53243.4.

(a) In the event that the District provides paid leave to Employee pending an investigation of a crime involving abuse of his office or position covered by Government Code section 53243.4, and should that investigation lead to a conviction, the Employee shall fully reimburse District for any salary provided for that purpose.

(b) In the event that the District provides funds for the legal criminal defense of Employee pending an investigation of a crime involving an abuse of his office or position covered by Government Code section 53243.4, and should that investigation lead to a conviction, the Employee shall fully reimburse the District for any funds provided for that purpose.

(c) In the event that the District provides a cash settlement related to the termination of Employee as defined in the terms of this Agreement and Employee subsequently is convicted of a crime involving abuse of office or position covered by Government Code section 53243.4, Employee shall fully reimburse the District for any funds provided for that purpose.

(d) "Abuse of office or position" is defined in Government Code section 53243.4 to mean either of the following:

(i) An abuse of public authority, including, but not limited to, waste, fraud, and violation of the law under color of authority.

(ii) A crime against public justice, including, but not limited to, a crime described in Title 5 (commencing with Section 67), Title 6 (commencing with Section 85) or Title 7 (commencing with Section 92) of Part 1 of the Penal Code.

16. **MODIFICATION OF CONTRACT.** This Agreement may be modified by mutual consent of the parties provided, however, that the party seeking such change shall give not less than 45 (forty-five) calendar days, written notice to the other party of the requested modification.

17. **RESIGNATION.** Employee may resign from employment at any time during the term of this Agreement upon ninety (90) days prior written notice to the Board or upon a shorter period of time if approved by the Board.

18. **SAVINGS CLAUSE.** If any provision of this Agreement is held to be contrary to law by a court of competent jurisdiction, such provision shall not be deemed valid or binding except to the extent permitted by law, but all other provisions shall continue to remain in full force and effect.

19. **ENTIRE AGREEMENT.** This Agreement contains and expresses the entire and final agreement of the parties with respect to the matters covered herein, and supersedes all negotiations, prior discussions, prior agreements and preliminary agreements between the parties. No promises or representations, express or implied, concerning this Agreement have been made by the parties other than those contained in this Agreement concerning the offer and acceptance of employment described herein.

20. **NO CONTINUING WAIVER.** No waiver of any term or condition of this Agreement by either party shall be deemed a continuing waiver of such term and condition.

21. **GOVERNING LAW.** This Agreement is delivered in the State of California, concerns employment in the State of California, and the rights and obligations of the parties hereto shall be construed and enforced in accordance with the laws of the State of California.

22. **MISCELLANEOUS PROVISIONS.** This Agreement and applicable provisions of the Administrative Team Handbook contain the entire agreement and understanding between the parties. There are no oral understandings, or terms and conditions not contained or referenced in this Agreement. This Agreement cannot be changed orally. It may be modified in writing by mutual agreement of the parties as set forth above. This Agreement supersedes all Board Policies, rules, regulations, handbooks or practices which are inconsistent with or in conflict with this Agreement.

ACCEPTANCE OF EDUCATIONAL ADMINISTRATOR EMPLOYMENT CONTRACT

I have reviewed this Educatinal Administrator Employment Contract, and I accept this Agreement and the terms and conditions of employment it contains. I have not agreed to employment and/or contracted for employment with the governing board of any other school, university, college, or community college district which will in any way conflict with the satisfactory performance of all of the duties of the Position for which employed.

Please return signed contract to Human Resource Services as soon as possible.

Date:______________________ ____
Employee Signature

Approved by the Governing Board of Palomar Community College District in open session at regular Board meeting.

Date:______________________ ____
Dr. Joi Lin Blake, Superintendent/President
Secretary to the Governing Board

Copy: Employee

MONTHLY BOARD REPORT: January 10, 2017

SHORT-TERM PERSONNEL ACTION REQUEST

	Employee Name	Start Date	End Date	Job Code	Hourly	Job Description
Department	Early Childhood Education Lab School					
	Guerrero, Jessica	12/01/16	06/30/17	Technical/Paraprofessional	$10.00	Assistant I
	Osborne, Amber	12/01/16	06/30/17	Technical/Paraprofessional	$10.00	Assistant I
Department	Emergency Medical Education Department					
	Suleiman, Marouf	11/21/16	06/30/17	Technical/Paraprofessional	$22.53	Assistant (professional)
	Tarin, Lyndsey	11/20/16	06/30/17	Technical/Paraprofessional	$22.53	Assistant (professional)
Department	Grant Funded Student Programs					
	Aguilar, Kristiana	12/06/16	06/30/17	Technical/Paraprofessional	$10.00	Peer Tutor
	Jaureguy, Jeremy	11/22/16	06/30/17	Technical/Paraprofessional	$10.00	Peer Tutor
Department	Health Services					
	Rus, Yelena	12/05/16	06/30/17	Technical/Paraprofessional	$30.00	Assistant (professional)
Department	Information Services					
	Frady, Nathaniel	12/05/16	06/30/17	Technical/Paraprofessional	$10.00	Assistant I
Department	Mathematics and Natural Health Sciences Division					
	Werner, Judea	01/04/17	06/30/17	Technical/Paraprofessional	$15.00	Assistant III
	Wilcox, Brian	11/30/16	06/30/17	Technical/Paraprofessional	$12.00	Assistant II
Department	Palomar College Police Department					
	DeVore, Evan	12/01/16	06/30/17	Technical/Paraprofessional	$14.00	Assistant III
	Shumate, Benjamin	12/05/16	06/30/17	Technical/Paraprofessional	$14.00	Assistant III

	Employee Name	Start Date	End Date	Job Code	Hourly	Job Description
Department	Performing Arts					
	Valdivia, Rosemary	12/01/16	06/30/17	Technical/Paraprofessional	$10.00	Assistant I
Department	Public Safety Programs					
	Chambers, Jacob	12/13/16	06/30/17	Technical/Paraprofessional	$17.64	Assistant (professional)
	Chambers, Jacob	12/13/16	06/30/17	Technical/Paraprofessional	$22.53	Assistant (professional)
	Derouin, Raymond	12/08/16	06/30/17	Technical/Paraprofessional	$20.48	Assistant (professional)
	Krawczyk, Jason	12/14/16	06/30/17	Technical/Paraprofessional	$20.48	Assistant (professional)

Effective Date	Action Reason	Employee Name	Employee ID	Hire Date		Emp Typ	Reg/ Tmp	Full/ Part	Job Code	Job Title	Salary Grade	Comp Rate	Supervisor

Department OCC&NOCR Occupational&NonCred Programs
SETID - PALMR

Effective Date	Action Reason	Employee Name	Employee ID	Hire Date		Emp Typ	Reg/ Tmp	Full/ Part	Job Code	Job Title	Salary Grade	Comp Rate	Supervisor
12/05/2016		Sebring,Danielle Elizabeth		12/05/2016	0.0	H	T	P	900STU	Student EE	STU/ASTU	12.000000 H	

End of Report

PALOMAR COMMUNITY COLLEGE DISTRICT

FISCAL SERVICES

DATE: January 10, 2017

TO: Dr. Joi Lin Blake
Superintendent/President

FROM: Carmen M. Coniglio
Director, Fiscal Services

SUBJECT: 2017-18 Nonresident Tuition and Capital Outlay Fees

OVERVIEW

Education Code (EC) 76140 requires each district governing board to establish the nonresident tuition fee no later than February 1 for the succeeding fiscal year. In addition, EC Section 76141 authorizes community college districts to charge any nonresident student a capital outlay fee not to exceed the amount that was expended by the district for capital outlay in the preceding fiscal year divided by the total full-time equivalent students in the preceding fiscal year. AB 947 amended EC Section 76141 to charge this capital outlay fee to any nonresident student, except for "AB 540" students, who will continue to be exempt from this fee.

DISCUSSION

The statewide average calculated rate for 2017-18 is $234 per unit. Palomar Community College District's calculated rate is $253. It is being recommended that Palomar use the statewide average cost of $234 to establish the nonresident tuition for 2017-18. This represents a $23 increase from our current rate of $211. The recommendation for capital outlay is to maintain our current rate of $5 per unit for 2017-18 and to charge this rate to all nonresident students, except for "AB 540" students. Attached is the worksheet showing the computations for the nonresident tuition and capital outlay fees.

RECOMMENDATION

The adoption of $234 per unit for nonresident tuition and a capital outlay fee of $5 per unit for all nonresident students for 2017-18.

STATE OF CALIFORNIA **ERIK E. SKINNER, INTERIM CHANCELLOR**

CALIFORNIA COMMUNITY COLLEGES
CHANCELLOR'S OFFICE
1102 Q STREET, 4TH FLOOR
SACRAMENTO, CA 95811-6549
(916) 445-8752
http://www.cccco.edu

Memorandum

December 14, 2016

Fiscal Services Memo 16-11
Via E-mail Only

TO: Chief Business Officers
Chief Instructional Officers

FROM: Elias Regalado, Director
Fiscal Standards and Accountability

SUBJECT: 2017-18 Nonresident Fees need to be established by February 1, 2017

SYNOPSIS: Education Code (EC) Section 76140 requires each district governing board to establish the nonresident tuition fee not later than February 1 for the succeeding fiscal year.

Nonresident Tuition Fee. For determining your district's 2017-18 nonresident tuition fee, the 2015-16 statewide average expense of education was ***$6,762*** per full time equivalent student (FTES). The projected increase in the United States Consumer Price Index (USCPI) as determined by the Department of Finance is 1.8% for the 2016-17 fiscal year and 2.0% for 2017-18, for a compound factor of 1.038 against the 2015-16 statewide average expense of education ($6,762) yields an Average cost of ***$7,019*** per FTES for the tuition year, or ***$234*** per semester unit for a 30-unit semester term academic year. For districts on the quarter system, the 45-unit quarter term academic year results in ***$156*** per quarter term unit.

Nonresident Tuition Fee Options. EC 76140(e) enumerates seven options for a district to choose in setting its nonresident tuition fee. These options are reflected in the enclosed worksheet as the "basis for adoption." Options 1-3 are generally well understood, but for Option 4 ("*No more than contiguous district*") and Option 5 ("*No more than district, no less than statewide cost*"), please keep in mind the following specifics:

Option 4 '*No more than contiguous district*'. A review of the legislative history when this option was adopted confirms that this amount **must be *within*** the:

- **Fee** (not ***cost***) adopted by a contiguous district (***Maximum*** *amount for Option #4*);

AND

- **Cost** of the lesser of (1) your district's average **cost** ***OR*** (2) the statewide average **cost** (***Minimum*** *amount for Option #4*).

Option 5 '*No more than district, no less than statewide cost*'. The ***maximum amount*** for this option is the district average cost, and the ***minimum amount*** for this option is the statewide average cost. **Only** an amount **between** these maximum and minimum amounts is allowed under this option.

Option 6 '*Highest Years Statewide Average Tuition*'. *(EC 76140(e)(1)(B)).* Use the greater of the succeeding year, the current year or any of the four prior year's statewide average nonresident tuition fee calculation, which is **$234 per semester unit** or **$156 per quarter unit** from **2015-2016**.

Option 7 '*No more than 12 Comparable States Average Tuition*'. *(EC 76140(e)(1)(E)).* No greater than the 2015-16 average nonresident tuition fee of public community colleges in a minimum of 12 states comparable to California in cost of living. This average is calculated to be **$425 per semester unit** or **$283 per quarter unit**.

Nonresident Capital Outlay Fee. Pursuant to EC Section 76141 a district **may** also charge to any nonresident student (except nonresident students having AB 540 status) a capital outlay fee. The amount of the nonresident capital outlay fee has to be the lesser of:

- the amount that was expended by the district for capital outlay in the preceding fiscal year divided by the total full-time equivalent student (FTES) of the district in the preceding fiscal year; OR
- 50% of the 2016-17 nonresident tuition fee adopted pursuant to EC 76140.

Processing Fee for Students from Foreign Countries. Pursuant to EC 76142 a district **may** charge nonresident applicants who are both citizens and residents of a foreign country a processing fee not to exceed the lesser of (1) the actual cost of processing an application and other documentation required by the federal government **OR** (2) $100, which may be deducted from the tuition fee at the time of enrollment.

Exemptions to these fees. Various exemptions to these fees are provided in the law. Please click on the following web links to EC Sections 76140-76143 and a related legal opinion to learn more about these exemptions:

http://Ed Code Non-Res

http://AB540 and Non-Res Capital Outlay Fee

Tuition Fee Worksheet. A worksheet for computing the nonresident tuition and capital outlay fees is enclosed. The comparable information for all districts used to derive the statewide average expense of education per FTES for 2015-16 is also enclosed for your reference.

ACTION/DATE REQUESTED: Please complete and return by **February 15, 2017** a copy of the enclosed worksheet and provide information on the 2017-18 nonresident tuition and capital outlay fees adopted by your district governing board by February 1, 2017.

CONTACT: If you have any questions or comments regarding this memorandum, please contact Mike Yarber at (916) 327-6818; or myarber@cccco.edu. The office fax number is (916) 323-8245.

California Community Colleges

2017-18 Nonresident Fees Worksheet

Nonresident Tuition Fee Calculations for Options 1 through 7

2017-18 NONRESIDENT TUITION FEE (EC 76140)	(*Col. 1*) Statewide	(*Col. 2*) District	(*Col. 3*) 10% or More Noncredit FTES
A. **Expense of Education for Base Year** (2015-16 CCFS 311, Expenditures by Activity Report, AC 0100-6700, Cols: 1-3)	$8,024,141,296	$125,121,664	$
B. **Annual Attendance FTES** (Recal 2015-16)	1,186,716	17,109.75	
C. **Average Expense of Education per FTES** (A ÷ B)	$6,762	$ 7,312.89	$
D. **U.S. Consumer Price Index Factor** (2 years)	x 1.038	x 1.038	x 1.038
E. **Average Cost per FTES for Tuition Year** (C x D)	**$7,019**	$ 7,591	$
F. **Average Per Unit Nonresident Cost – Semester (*Qtr*)**	**$234 (*$156*)**	$ 253	$
G. **Highest year Statewide average – Semester (*Qtr*)**	**$234 ($156)**	$	$
H. **Comparable 12 state average – Semester (*Qtr*)**	**$425 ($283)**	$	$

Annual Attendance FTES includes all student contact hours of attendance in credit and noncredit courses for resident and nonresident students; Round tuition fee to the nearest dollar.

Column 3 is an option for use by a district with ten percent or more noncredit FTES *(Section 76140(e)(1)(A)).* If your district qualifies, then fill out this column with noncredit FTES and noncredit expense of education data excluded.

Nonresident Tuition Fee Calculations for Options 6 or 7

Option 6. The greater amount of the calculations of statewide nonresident tuition for 2012-13 through 2015-16 is $234 per semester unit or $156 per quarter unit (2015-16).

Option 7. The average of the nonresident tuition fees of public community colleges in 2015-16 of no less than 12 states comparable to California in cost of living is $397 per semester unit or $265 per quarter unit.

Requirement for Use of Option 6 or 7: The additional revenue generated by the increased nonresident tuition permitted under options 6 or 7 shall be used to expand and enhance services to resident students *(EC 76140(e)(2)).* Districts meeting one or more criteria below shall be considered in compliance with the requirements of EC 76140(e)(2). Please check all that apply:

- ☐ Revenue from nonresident tuition was less than 5% of total general fund revenue.
- ☐ Actual resident FTES was greater than funded resident FTES.
- ☐ Percent expenditures for counseling and student services were greater than statewide average (AC 6300 plus 6400 divided by AC 0100-6700, Cols. 1-3).
- ☐ Percent expenditures for instructional services were greater than statewide average (AC 0100-5900 divided by AC 0100-6700, Cols. 1-3.

Continue to next page ▶

▶ *Continued from previous page*

The district governing board at its ____January 10____, 20_17__ meeting adopted a **nonresident tuition fee** of $ _234__ per semester unit or $ ________ per quarter unit.

Basis for adoption is (***place an X in one box only***).

X	**1. Statewide average cost, per column 1.**
	2. District average cost, per column 2.
	3. District average cost with 10% or more noncredit FTES, per column 3.
	4. Contiguous district. ____________________. *(Specify district and its fee).*
	5. No more than district average cost (Col. 2 or 3); no less than statewide average cost.
	6. Statewide average cost, from 2015-16 ($234 per semester unit; $156 per quarter unit).
	7. No more than average tuition of 12 states with cost of living comparable to California.

NONRESIDENT CAPITAL OUTLAY FEE (EC 76141)

For districts electing to charge a **capital outlay fee** to any nonresident student, please compute this fee as follows:

a. Capital Outlay expense for 2015-16 $__4,525,931________

b. FTES for 2015-16 ___17,109.75___

c. Capital outlay expense per FTES *(line a divided by line b)* __264.52___

d. Capital Outlay Fee per unit:

1. Per semester unit *(line c divided by 30 units)* __8.80____

OR

2. Per quarter unit *(line c divided by 45 units)* __________

e. 2017-18 Nonresident Student Capital Outlay Fee (not to exceed *the lesser of line d* ***OR*** *50% of adopted 2017-18 Nonresident Tuition Fee)* ______________

The district governing board at its ___January 10____, 2017 meeting adopted a **nonresident capital outlay fee** of $ _5____ per semester unit or $ _______ per quarter unit.

Upon adoption of nonresident tuition and/or capital outlay fees by your district governing board by February 1, 2017, please submit a copy of this report by *February 15, 2017* to:

California Community Colleges Chancellor's Office
Fiscal Services Unit (attn. Michael Yarber)
1102 Q Street,
Sacramento, CA 95811-6549 FAX (916) 323-8245

District: Palomar Community College District

Contact Person: Carmen M. Coniglio

Phone Number & email: 760-744-1150 ext. 2215 cconiglio@palomar.edu

CALIFORNIA COMMUNITY COLLEGES

2017-18 Nonresident Tuition Fee
Based on 2015-16 Actual Expense of Education from CCFS-311
(AC 0100-6700; Objects of Expenditure 1000-5000)

District Code	District	2015-16 Expense of Education*	2015-16 Total FTES**	2015-16 Expense Per FTES
610	Allan Hancock	60,117,623	8,618.74	6,975.22
620	Antelope Valley Joint	73,079,130	11,776.40	6,205.56
910	Barstow	15,328,943	2,566.09	5,973.66
110	Butte-Glenn	116,471,860	11,185.38	10,412.87
410	Cabrillo	76,244,354	9,573.67	7,963.96
810	Cerritos	105,517,954	18,133.89	5,818.83
480	Chabot-Las Positas	121,610,255	18,048.39	6,738.01
920	Chaffey	103,204,112	16,166.50	6,383.83
820	Citrus	67,618,972	12,482.27	5,417.20
830	Coast	211,321,454	34,845.39	6,064.55
710	Compton	38,633,898	6,100.30	6,333.11
310	Contra Costa	196,852,250	32,387.44	6,078.04
970	Copper Mountain	13,996,031	1,490.22	9,391.92
930	Desert	56,343,590	9,463.87	5,953.55
720	El Camino	123,081,242	20,410.27	6,030.36
120	Feather River	16,131,716	1,943.64	8,299.74
420	Foothill-DeAnza (quarter system)	222,684,676	31,945.62	6,970.74
440	Gavilan	37,486,052	4,881.81	7,678.72
730	Glendale	99,286,955	14,986.00	6,625.31
20	Grossmont-Cuyamaca	127,374,375	19,604.07	6,497.34
450	Hartnell	49,057,359	7,355.89	6,669.13
30	Imperial	47,374,420	6,860.16	6,905.73
520	Kern	121,191,488	21,000.69	5,770.83
220	Lake Tahoe (quarter system)	15,406,504	1,836.92	8,387.14
130	Lassen	13,935,713	1,542.87	9,032.33
840	Long Beach	131,040,515	19,369.43	6,765.33
740	Los Angeles	724,713,314	111,386.04	6,506.32
230	Los Rios	340,038,855	48,496.53	7,011.61
330	Marin	56,628,073	3,927.51	14,418.31
140	Mendocino-Lake	24,314,855	2,663.27	9,129.70
530	Merced	64,137,957	9,317.30	6,883.75
50	Mira Costa	102,780,770	11,793.63	8,714.94
460	Monterey Peninsula	45,263,911	6,432.22	7,037.06
850	Mt. San Antonio	188,638,456	32,333.24	5,834.20
940	Mt. San Jacinto	70,522,106	11,980.93	5,886.20
240	Napa Valley	39,148,026	5,675.45	6,897.78

District Code	District	2015-16 Expense of Education*	2015-16 Total FTES**	2015-16 Expense Per FTES
860	North Orange County	216,883,793	36,590.69	5,927.29
430	Ohlone	54,993,115	7,655.21	7,183.75
950	Palo Verde	15,856,446	2,069.02	7,663.75
60	Palomar	125,121,664	17,109.75	7,312.89
770	Pasadena	158,133,087	25,221.33	6,269.82
340	Peralta	162,968,586	21,250.59	7,668.90
870	Rancho Santiago	188,492,054	29,582.70	6,371.70
160	Redwoods	29,264,940	3,889.69	7,523.72
880	Rio Hondo	91,414,545	13,030.14	7,015.62
960	Riverside	190,575,442	29,339.16	6,495.60
980	San Bernardino	97,256,518	15,471.53	6,286.16
70	San Diego	284,568,512	44,623.36	6,377.12
360	San Francisco	201,548,621	23,213.38	8,682.43
550	San Joaquin Delta	104,509,538	16,510.98	6,329.70
470	San Jose-Evergreen	110,942,034	12,238.45	9,065.04
640	San Luis Obispo County	57,177,246	8,506.12	6,721.90
370	San Mateo County	156,743,858	18,539.86	8,454.43
650	Santa Barbara	109,715,223	15,802.10	6,943.08
660	Santa Clarita	97,332,789	16,464.90	5,911.53
780	Santa Monica	180,465,778	26,770.72	6,741.16
560	Sequoias	56,932,947	9,532.44	5,972.55
170	Shasta-Tehama-Trinity	47,321,261	6,298.71	7,512.85
270	Sierra Jt.	90,603,559	15,311.74	5,917.26
180	Siskiyou Jt.	22,303,499	2,968.75	7,512.76
280	Solano	55,283,008	8,417.24	6,567.83
260	Sonoma	132,201,693	19,914.87	6,638.34
890	South Orange County	185,921,846	25,162.24	7,388.92
90	Southwestern	106,890,615	14,098.10	7,581.92
570	State Center	187,240,775	29,677.44	6,309.20
680	Ventura	172,478,418	26,851.75	6,423.36
990	Victor Valley	73,977,369	9,559.06	7,738.98
580	West Hills	39,396,251	5,479.32	7,189.99
690	West Kern	26,858,427	2,632.84	10,201.31
490	West Valley	100,104,257	13,874.83	7,214.81
590	Yosemite	122,172,350	16,748.77	7,294.41
290	Yuba	53,913,468	7,726.17	6,978.03
	Totals	**$8,024,141,296**	**1,186,716**	**$6,762**

* "Expense of Education" is defined in the Budget and Accounting Manual as including all General Fund expenditures, restricted and unrestricted, for all objects of expenditure 1000 through 5000 and all expenditures of activity from 0100 through 6700. For the purposes of calculating the Nonresident Tuition Fee, Expense of Education is different than the 50% Law "current expense of education".

** Includes credit and noncredit FTES for resident and nonresident students.

PALOMAR COLLEGE
CURRICULUM

SUBJECT:

Governing Board approval of curriculum changes effective and Fall 2017

SUMMARY:

California Community Colleges are required to maintain evidence documenting that district governing board approval and college consensus has been secured for each curriculum proposal (new, substantial change, non-substantial change, and active/inactive status).

New course and program proposals, as well as substantial and non-substantial changes, recommended by the Curriculum Committee and the Faculty Senate to be included in the Palomar College Curriculum Inventory effective Fall 2017 are outlined in the attached “CURRICULUM ACTION ITEMS” documents dated: December 7 and December 14.

Substantial course changes typically include: TOP code, Course Credit Status, Maximum Units, Minimum Units, Course Basic Skills Status, Course SAM priority code, Course Prior to College Level, and Course Noncredit Category.

Non-substantial course changes typically include: Subject/Catalog Number, Course Title, Transfer Status, Cooperative Work Experience Education Status, Course Classification Status, Repeatability, Special Status, CAN Code, CAN Sequence Code, Funding Agency Category, Course Program Status.

Substantial program changes typically include: new certificate under same TOP code, new degree under same TOP code, new major/area of emphasis under same TOP code, TOP code change to a different TOP code discipline.

Non-substantial program changes typically include: title change, TOP code change within the same TOP code discipline, total unit change, addition/removal of courses.

DETAILS:

See the attached summary “CURRICULUM ACTION ITEMS” documents for detailed information regarding curriculum changes.

Palomar College
Curriculum Committee Actions
Wednesday December 7, 2016

I. **ACTION - SECOND READING**
The following curriculum changes, pending appropriate approvals, will be effective **Fall 2017:**

A. **Credit Program Changes**

1. Program Title: Sociology
Discipline: Sociology (SOC)
Award Type: AA-T Transfer Major (18 units or more)
Total Units: 22.00
Removed PSYC 230 from program requirements, removed SOC/PSYC 120 from list A, added SOC/PSYC 145, SOC 165 and SOC 170 to list B, updated total units.
Susan A. Miller

B. **Credit Course Changes**

1. Course Number and Title: BIOL 125 General Botany
Discipline: Biology (BIOL)
Course Included in the following programs:
    A. Biology-General, A.S. Degree Major/Cert. Achievement 18 units/more
    B. General Studies: Emphasis in Science and Mathematics A.S. Degree Major
    C. University Studies: Emphasis in Mathematics and Science A.S. Degree Major
Associate Degree General Education - B: Natural Sciences
CSU GE Area B: Scientific Inquiry and Quantitative Reasoning - B2: Life Science
CSU GE Area B: Scientific Inquiry and Quantitative Reasoning - B3: Laboratory Activity
IGETC Area 5: Physical and Biological Sciences - 5B: Biological Science
IGETC Area 5: Physical and Biological Sciences - 5C: Laboratory Activity
Transfer Acceptability: UC, CSU
Changed BOT 100 to BIOL 125, updated objectives, content outline, textbooks and required writing.
Elizabeth A. Pearson

2. Course Number and Title: BIOL 126 General Botany Lecture
Discipline: Biology (BIOL)
Course Included in the following programs:
    A. Biology-General, A.S. Degree Major/Cert. Achievement 18 units/more
    B. General Studies: Emphasis in Science and Mathematics A.S. Degree Major
    C. University Studies: Emphasis in Mathematics and Science A.S. Degree Major
Associate Degree General Education - B: Natural Sciences
CSU GE Area B: Scientific Inquiry and Quantitative Reasoning - B2: Life Science
IGETC Area 5: Physical and Biological Sciences - 5B: Biological Science
Transfer Acceptability: UC, CSU
Changed BOT 101 to BIOL 126, updated objectives, content outline, textbooks and required writing.
Elizabeth A. Pearson

3. Course Number and Title: BIOL 140 General Zoology
Discipline: Biology (BIOL)
Course Included in the following programs:
    A. Biology-General, A.S. Degree Major/Cert. Achievement 18 units/more
    B. General Studies: Emphasis in Science and Mathematics A.S. Degree Major
    C. University Studies: Emphasis in Mathematics and Science A.S. Degree Major

Associate Degree General Education - B: Natural Sciences
CSU GE Area B: Scientific Inquiry and Quantitative Reasoning) - B2: Life Science
CSU GE Area B: Scientific Inquiry and Quantitative Reasoning - B3: Laboratory Activity
IGETC Area 5: Physical and Biological Sciences - 5B: Biological Science
IGETC Area 5: Physical and Biological Sciences - 5C: Laboratory Activity
Transfer Acceptability: UC, CSU
Changed ZOO to BIOL 140, updated methods of instruction and textbooks.
Elizabeth A. Pearson

4. Course Number and Title: BIOL 200 Foundations of Biology I
   Discipline: Biology (BIOL)
   Prerequisites: CHEM 110, and CHEM 110L
   Associate Degree General Education - B: Natural Sciences
   CSU GE Area B: Scientific Inquiry and Quantitative Reasoning - B2: Life Science
   CSU GE Area B: Scientific Inquiry and Quantitative Reasoning - B3: Laboratory Activity
   IGETC Area 5: Physical and Biological Sciences - 5B: Biological Science
   IGETC Area 5: Physical and Biological - 5C: Laboratory Activity
   Transfer Acceptability: UC, CSU
   Added CHEM 110L as prerequisite, updated content.
   Elizabeth A. Pearson

5. Course Number and Title: CSWB 110 Web Site Development with HTML5/CSS3
   Short Title: Web Site Develpmt (HTML5/CSS3)
   Discipline: Computer Science and Information Technology - Web Technology (CSWB)
   Recommended Prep: CSIT 105
   Transfer Acceptability: CSU
   Distance Learning Offering(s): Online
   Added CSIT 105 as recommended preparation, updated textbook.
   Stephen R. Perry

6. Course Number and Title: EME 217 Paramedic Recertification
   Discipline: Emergency Medical Education (EME)
   Transfer Acceptability: CSU
   Repeatability: May be taken 2 times.
   Standalone Course
   Increased units from 2 to 3, increased lecture hours from 2 to 3, updated outline, added and updated repeatability.
   Sarah DeSimone

7. Course Number and Title: GEOG 100L Earth's Dynamic Environment: Physical Geography Lab
   Short Title: Earth's Dynamic Environmen Lab
   Discipline: Geography (GEOG)
   CSU GE Area B: Scientific Inquiry and Quantitative Reasoning - B3: Laboratory Activity
   IGETC Area 5: Physical and Biological Sciences - 5C: Laboratory Activity
   Transfer Acceptability: UC, CSU
   Updated title, textbook, required reading, suggested reading, updated CB11 code, credit course.
   Catherine M. Jain

8. Course Number and Title: LT 115 Library Operational Skills/Public Services
   Short Title: LIBRARY OPER SKILLS/PUBLIC SRV
   Discipline: Library Technology (LT)
   Transfer Acceptability: CSU
   Distance Learning Offering(s): Online
   Updated description, objectives, methods of instruction, outline, textbook, outside assignments,

critical thinking, required writing and methods of assessment.
April Cunningham

9. Course Number and Title: PSYC 235 Principles of Learning and Behavior Modification
Short Title: LEARNING/BEHAVIOR MODIFICATION
Discipline: Psychology (PSYC)
Associate Degree General Education - D: Social and Behavioral Sciences
CSU GE Area D: Social Sciences - D9: Psychology
IGETC Area 4: Social and Behavioral Sciences - 4I: Psychology
Transfer Acceptability: UC, CSU
Distance Learning Offering(s): Online
Updated textbooks added required reading, added online distance education.
Kathy Young

10. Course Number and Title: PSYC 255/SOC 255/AODS 255 Case Management, Law and Ethics
Discipline: Psychology (PSYC)/Sociology (SOC)/Alcohol and Other Drug Studies (AODS)
Transfer Acceptability: CSU
Distance Learning Offering(s): Online
Updated textbooks, suggested reading, outside assignments, critical thinking and required writing, added online distance education.
Kathy Young

C. **Credit Course Deactivations**

1. Course Number and Title: BOT 197 Botany Topics
Discipline: Botany (BOT)
Transfer Acceptability: UC, CSU
Reason for Deactivation: We are consolidating our Biology 197 with the Botany 197 course as we change the names of our botany courses to the biology prefix as is done at most colleges and universities.
Elizabeth A. Pearson

D. **Distance Learning**

The following courses may be offered as distance learning and meet Title 5 Regulations 55200-55210, effective Fall 2017.

Catalog/Subject Number	Learning Offerings
LT 115	Online
PSYC 235	Online
PSYC/SOC/AODS 255	Online

E. **Requisites and Advisories**

The establishment of the following advisories meets Title 5 Regulations 55003, effective Fall 2017.

Catalog Number	Type	Description	Proposal Type
MUS 105	Prerequisite	MUS 103	Change
	Recomm. Prep.	Demonstrated ability to read music acquired through prior study (i.e. private lessons or AP Music Theory)	
	Corequisite	~~MUS 110~~	
MUS 110	Prerequisite	and/or MUS 103	Change
	Corequisite	MUS 105	
	Recomm. Prep.	and/or Demonstrated ability to read music acquired through prior study (i.e. private lessons or AP Music Theory)	

Palomar College
Curriculum Committee Actions
Wednesday December 14, 2016

I. **ACTION - SECOND READING**

The following curriculum changes, pending appropriate approvals, will be effective **Fall 2017:**

A. **Credit Program Changes**

1. **Program Title: Dance: Emphasis in Euro-Western Dance**
Discipline: Dance (DNCE)
Award Type: A.A. Degree Major or Certificate of Achievement
Total Units: 21-28
Updated description, various additions and deletions in program requirements, decreased number of courses in elective categories 1-3 from 2 to 1 course, changed variable units to 1 in Group IV, various deletions and one addition to Group V electives.
Margaret M. Faulkner

2. **Program Title: Dance: Emphasis in General Dance**
Discipline: Dance (DNCE)
Award Type: A.A. Degree Major or Certificate of Achievement
Total Units: 25.00 - 28.50
Updated description, various additions and deletions in program requirements. Combined groups 1 and 2, changed units to 1, combined groups 3 and 4, changed units to 1.5, changed groups 5 and 6 to 1 unit and added hip hop courses to group 6, changed select two courses to one course in group 7 and converted variable units 1.5-2 to 1.5 and 0.5-1 to 1, changed select two courses to one course in group 8 and removed variable units, updated total units to 25-28.5.
Margaret M. Faulkner

3. **Program Title: Dance: Emphasis in World Dance**
Discipline: Dance (DNCE)
Award Type: A.A. Degree Major or Certificate of Achievement
Total Units: 26.50 - 31.50
Updated description, various additions and deletions in program requirements, changed select two courses to one course in groups 1 and 2, changed units to 1.5, changed units in group 3 to 1, added 0.5-1 variable units to DNCE 137 and 138, changed variable units in groups 5, 6 and 7 to 1 unit, updated total units to 26.50-31.50.
Margaret M. Faulkner

B. **New Credit Courses**

1. Course Number and Title: MUS 169 History of Rock Music
Discipline: Music (MUS)
Associate Degree General Education - C: Humanities
CSU GE Area C: Arts and Humanities - C1: Arts
IGETC Area 3: Arts and Humanities - 3A: Arts
Transfer Acceptability: UC, CSU
Distance Learning Offering(s): Online
Standalone Course
Justification: Standard course offering in keeping with current academic trends among colleges and universities.
Paul Kurokawa

C. **Credit Course Changes**

1. Course Number and Title: ANTH 135 Magic, Witchcraft, and Religion
Short Title: Magic, Witchcraft and Religion

Discipline: Anthropology (ANTH)
Associate Degree General Education - C: Humanities
Associate Degree Multicultural Requirement - Yes
CSU GE Area C: Arts and Humanities - C2: Humanities
IGETC Area 3: Arts and Humanities - 3B: Humanities
Transfer Acceptability: UC, CSU
Distance Learning Offering(s): Online
Updated title, objectives, outline, and textbooks, added multicultural, updated CB11.
Anne-Marie Mobilia

2. Course Number and Title: BIOL 120 Animal Behavior
Discipline: Biology (BIOL)
Course Included in the following programs:
   A. Biology-General, A.S. Degree Major/Cert. Achievement 18 units/more
Associate Degree General Education - B: Natural Sciences
CSU GE Area B: Scientific Inquiry and Quantitative Reasoning - B2: Life Science
IGETC Area 5: Physical and Biological Sciences) - 5B: Biological Science
Transfer Acceptability: UC, CSU
Changed discipline from ZOO to BIOL, updated outline, textbooks, outside assignments, required writing and methods of assessment, updated CB11.
Elizabeth A. Pearson

3. Course Number and Title: BIOL 126L General Botany Laboratory
Discipline: Biology (BIOL)
Course Included in the following programs:
   A. Biology-General, A.S. Degree Major/Cert. Achievement 18 units/more
CSU GE Area B: Scientific Inquiry and Quantitative Reasoning - B2: Life Science
CSU GE Area B: Scientific Inquiry and Quantitative Reasoning - B3: Laboratory Activity
IGETC Area 5: Physical and Biological Sciences - 5B: Biological Science
IGETC Area 5: Physical and Biological Sciences - 5C: Laboratory Activity
Transfer Acceptability: UC, CSU
Changed discipline from BOT 101L to BIOL 126L, changed prerequisite or concurrent enrollment from BOT 101 to BIOL 126, updated methods of instruction and textbooks.
Elizabeth A. Pearson

4. Course Number and Title: BIOL 141 General Zoology (Lecture)
Discipline: Biology (BIOL)
Course Included in the following programs:
   A. Biology-General, A.S. Degree Major/Cert. Achievement 18 units/more
Associate Degree General Education - B: Natural Sciences
CSU GE Area B: Scientific Inquiry and Quantitative Reasoning - B2: Life Science
IGETC Area 5: Physical and Biological Sciences - 5B: Biological Science
Transfer Acceptability: UC, CSU
Changed discipline from ZOO 101 to BIOL 141, changed course reference in description from ZOO to BIOL, updated textbooks.
Elizabeth A. Pearson

5. Course Number and Title: BIOL 141L General Zoology (Laboratory)
Discipline: Biology (BIOL)
Course Included in the following programs:
   A. Biology-General, A.S. Degree Major/Cert. Achievement 18 units/more
CSU GE Area B: Scientific Inquiry and Quantitative Reasoning (mark all that apply) - B3: Laboratory Activity
IGETC Area 5: Physical and Biological Sciences - 5C: Laboratory Activity
Transfer Acceptability: UC, CSU
Changed discipline from ZOO 101L to BIOL 141L, changed prerequisite or concurrent enrollment

from ZOO 101 to BIOL 141, updated textbooks.
Elizabeth A. Pearson

6. Course Number and Title: BIOL 145 Introduction to Anatomy and Physiology
Short Title: INTRO TO ANATOMY/PHYSIOLOGY
Discipline: Biology (BIOL)
Course Included in the following programs:
    A. Biology-General, A.S. Degree Major/Cert. Achievement 18 units/more
Associate Degree General Education - B: Natural Sciences
CSU GE Area B: Scientific Inquiry and Quantitative Reasoning - B2: Life Science
IGETC Area 5: Physical and Biological Sciences - 5B: Biological Science
Transfer Acceptability: UC, CSU
Distance Learning Offering(s): Telecourse, Online
Changed discipline from ZOO to BIOL, changed course reference in description from ZOO to BIOL, changed ZOO 200 to BIOL 210 and ZOO 205 to BIOL 211.
Elizabeth A. Pearson

7. Course Number and Title: BIOL 195C Field Study of Native Plants
Discipline: Biology (BIOL)
Prerequisites: BIOL 100; or BIOL 101; or BIOL 114; or BIOL 130; or BIOL 131; or BIOL 125; or BIOL 126; or BIOL 140; or BIOL 141
Course Included in the following programs:
    A. Biology-General, A.S. Degree Major/Cert. Achievement 18 units/more
Transfer Acceptability: UC, CSU
Changed discipline from BOT 195 to BIOL 195C, in prerequisites, changed BOT 100 to BIOL 125, BOT 101 to BIOL 126, ZOO 100 to BIOL 140 and ZOO 101 to BIOL 141.
Elizabeth A. Pearson

8. Course Number and Title: BIOL 195D Field Study of Birds
Discipline: Biology (BIOL)
Prerequisites: BIOL 100; or BIOL 101; or BIOL 114; or BIOL 130; or BIOL 131; or BIOL 125; or BIOL 126; or BIOL 140; or BIOL 141
Course Included in the following programs:
    A. Biology-General, A.S. Degree Major/Cert. Achievement 18 units/more
Transfer Acceptability: UC, CSU
Changed discipline from ZOO to BIOL, in prerequisites, changed BOT 100 to BIOL 125, BOT 101 to BIOL 126, ZOO 100 to BIOL 140 and ZOO 101 to BIOL 141.
Elizabeth A. Pearson

9. Course Number and Title: BIOL 210 Anatomy
Discipline: Biology (BIOL)
Recommended Prep: BIOL 100; or BIOL 101 and BIOL 101L; or BIOL 102; or BIOL 200; or BIOL 105
Course Included in the following programs:
    A. Biology-General, A.S. Degree Major/Cert. Achievement 18 units/more
Associate Degree General Education - B: Natural Sciences
CSU GE Area B: Scientific Inquiry and Quantitative Reasoning - B2: Life Science
CSU GE Area B: Scientific Inquiry and Quantitative Reasoning - B3: Laboratory Activity
IGETC Area 5: Physical and Biological Sciences - 5B: Biological Science
IGETC Area 5: Physical and Biological Sciences - 5C: Laboratory Activity
Transfer Acceptability: UC, CSU
Changed discipline from ZOO 200 to BIOL 210, updated textbooks.
Elizabeth A. Pearson

10. Course Number and Title: BIOL 211 Physiology
Discipline: Biology (BIOL)
Prerequisites: BIOL 102; or BIOL 200, and CHEM 104, or CHEM 100; or BIOL 100, and CHEM 104,

or CHEM 100; or BIOL 105, and CHEM 104, or CHEM 100; or BIOL 210
Course Included in the following programs:
A. Biology-General, A.S. Degree Major/Cert. Achievement 18 units/more
B. Biology-Preprofessional, A.S. Degree Major/Cert. Achievement 18 units/more
Associate Degree General Education - B: Natural Sciences
CSU GE Area B: Scientific Inquiry and Quantitative Reasoning - B2: Life Science
CSU GE Area B: Scientific Inquiry and Quantitative Reasoning - B3: Laboratory Activity
IGETC Area 5: Physical and Biological Sciences - 5B: Biological Science
IGETC Area 5: Physical and Biological Sciences - 5C: Laboratory Activity
Transfer Acceptability: UC, CSU
Changed ZOO 203 to BIOL 211, changed ZOO 200 prerequisite to BIOL 210, updated textbook.
Richard Albistegui-DuBois

11. Course Number and Title: BIOL 212 Fundamentals of Microbiology
Discipline: Biology (BIOL)
Prerequisites: BIOL 102; or BIOL 200, and CHEM 104, or CHEM 100; or BIOL 100, and CHEM 104, or CHEM 100; or BIOL 105, and CHEM 104, or CHEM 100; or BIOL 101, BIOL 101L, and CHEM 104, or CHEM 100; or BIOL 211
Course Included in the following programs:
A. Biology-General, A.S. Degree Major/Cert. Achievement 18 units/more
Associate Degree General Education - B: Natural Sciences
CSU GE Area B: Scientific Inquiry and Quantitative Reasoning - B2: Life Science
CSU GE Area B: Scientific Inquiry and Quantitative Reasoning - B3: Laboratory Activity
IGETC Area 5: Physical and Biological Sciences - 5B: Biological Science
IGETC Area 5: Physical and Biological Sciences - 5C: Laboratory Activity
Transfer Acceptability: UC, CSU
Changed MICRO 200 to BIOL 212, changed ZOO 203 prerequisite to BIOL 211, updated textbooks.
Elizabeth A. Pearson

12. Course Number and Title: CHDV 195 Adult Supervision/Mentor Teacher Preparation
Short Title: Adlt Suprvsn/Mentr Teachr Prep
Discipline: Child Development (CHDV)
Prerequisites: CHDV 100, and CHDV 115,
Recommended Prep: Currently teaching in a preschool or child care setting in the role of lead teacher, head teacher, or other supervisory capacity.
Transfer Acceptability: CSU
Distance Learning Offering(s): Online
Updated textbooks, added distance education, updated CB11.
Laurel Anderson

13. Course Number and Title: COUN 148 Managing Stress and Well-Being
Discipline: Counseling (COUN)
Associate Degree General Education - E: Lifelong Learning and Self-Development
Associate Degree Multicultural Requirement - Yes
CSU GE Area E: Lifelong Learning and Self-Development - E: Lifelong Learning and Self-Development
Transfer Acceptability: CSU
Distance Learning Offering(s): Computer Assisted, Online
Grading Basis: Grade Only
Updated description, objectives, outline, textbook, required reading, suggested reading, critical thinking and required writing, added multicultural requirement.
Thomas V. Ventimiglia

14. Course Number and Title: CSWB 135 Advanced JavaScript and Mobile Apps
Short Title: Adv JavaScript/Mobile Apps
Discipline: Computer Science and Information Technology - Web Technology (CSWB)

Prerequisites: CSWB 120
Transfer Acceptability: CSU
Distance Learning Offering(s): Online
Updated objectives and outline.
Stephen R. Perry

15. Course Number and Title: DBA 230 Digital Audio Avid Pro Tools
Discipline: Digital Broadcast Arts (DBA)
Associate Degree General Education - C: Humanities
Transfer Acceptability: CSU
Updated objectives, outline, outside assignments, required writing and methods of assessment.
Patrick J. Hahn

16. Course Number and Title: MUS 171 World Music
Discipline: Music (MUS)
Associate Degree General Education - C: Humanities
Associate Degree Multicultural Requirement - Yes
CSU GE Area C: Arts and Humanities - C1: Arts
IGETC Area 3: Arts and Humanities - 3A: Arts
Transfer Acceptability: UC, CSU
Distance Learning Offering(s): Online
Updated outline, textbooks and methods of assessment, added distance education.
Ellen Weller

17. Course Number and Title: PHIL 121 Introduction to Ethics
Discipline: Philosophy (PHIL)
Recommended Prep: Eligibility for ENG 100
Associate Degree General Education - C: Humanities
CSU GE Area C: Arts and Humanities - C2: Humanities
IGETC Area 3: Arts and Humanities - 3B: Humanities
Transfer Acceptability: UC, CSU
Distance Learning Offering(s): Online
Updated catalog description, textbooks and required reading.
Ryan Emerick

18. Course Number and Title: RE 115 Real Estate Practice
Discipline: Real Estate (RE)
Course Included in the following programs:
    A. Real Estate Appraisal License Preparation, Certificate of Proficiency
Transfer Acceptability: CSU
Distance Learning Offering(s): Online
Removed recommended prep, updated textbooks.
L. Jackie Martin

D. <u>Distance Learning</u>

The following courses may be offered as distance learning and meet Title 5 Regulations 55200-55210, effective Fall 2017.

Catalog/Subject Number	Learning Offerings
MUS 169	<u>Online</u>
CHDV 195	<u>Online</u>
CSWB 135	Online
MUS 171	<u>Online</u>
PHIL 121	Online
RE 115	Online

E. Requisites and Advisories

The establishment of the following advisories meets Title 5 Regulations 55003, effective Fall 2017.

Catalog Number	Type	Description	Proposal Type
BIOL 195C	Prerequisite	BIOL 100; or BIOL 101; or BIOL 114; or BIOL 130; or BIOL 131; or ~~BOT 100~~ BIOL 125; or ~~BOT 101~~ BIOL 126; or ~~ZOO 100~~ BIOL 140; or ~~ZOO 101~~ BIOL 141	Change
BIOL 195D	Prerequisite	BIOL 100; or BIOL 101; or BIOL 114; or BIOL 130; or BIOL 131; or ~~BOT 100~~ BIOL 125; or ~~BOT 101~~ BIOL 126; or ~~ZOO 100~~ BIOL 140; or ~~ZOO 101~~ BIOL 141	Change
BIOL 210	Recomm. Prep.	BIOL 100; or BIOL 101 and BIOL 101L; or BIOL 102; or BIOL 200; or BIOL 105	Change
BIOL 211	Prerequisite	BIOL 102; or BIOL 200, and CHEM 104, or CHEM 100; or BIOL 100, and CHEM 104, or CHEM 100; or BIOL 105, and CHEM 104, or CHEM 100; or ~~ZOO 200~~ BIOL 210	Change
BIOL 212	Prerequisite	BIOL 102; or BIOL 200, and CHEM 104, or CHEM 100; or BIOL 100, and CHEM 104, or CHEM 100; or BIOL 105, and CHEM 104, or CHEM 100; or BIOL 101, BIOL 101L, and CHEM 104, or CHEM 100; or ~~ZOO 203~~ BIOL 211	Change
CHDV 195	Prerequisite	CHDV 100 and CHDV 115	Change
	Recomm. Prep.	Currently teaching in a preschool or child care setting in the role of lead teacher, head teacher, or other supervisory capacity.	
CSWB 135	Prerequisite	CSWB 120	Change
PHIL 121	Recomm. Prep.	Eligibility for ENG 100	Change
RE 115	Recomm. Prep.	~~RE 100 or real estate license~~	Change

RESOLUTION NO. XX-XXXX

A RESOLUTION OF THE GOVERNING BOARD
PALOMAR COMMUNITY COLLEGE DISTRICT
PALOMAR COLLEGE, SAN MARCOS, CALIFORNIA

WHEREAS, on December 5, 2016 the California Community College Chancellor's Office reaffirmed its commitment to undocumented students; and

WHEREAS, the California Community Colleges are open to all students who meet the minimum requirements for admission, regardless of immigration status; and

WHEREAS, the Chancellor's Office will not release any personally identifiable student information, including any data related to immigration status, without a judicial warrant, subpoena or court order, unless authorized the by the student or required by law; and

WHEREAS, the Chancellor's Office will not cooperate with any federal effort to create a registry of individuals based on any protected characteristics such as religion, national origin, race, or sexual orientation; and

WHEREAS, the Chancellor's Office will continue to advocate for educational opportunities for all students in the community college system, regardless of immigration status at the state and federal level; and

WHEREAS, Palomar Community College District is part of the California Community College System and is situated in Southern California approximately fifty miles from the US/Mexico border; and

WHEREAS, the Palomar Community College District has a long history of recognizing and celebrating the contributions of our immigrant student population, as their rich histories and cultures have contributed to, created, and engaged global citizenry; and

WHEREAS, the Palomar Community College District continues to recognize the rights of all students and their families, regardless of immigration status, family structure, sexual orientation, gender identity, or marital status; and

WHEREAS, the results of the 2016 presidential election have caused uncertainty and concern among our student population; and

WHEREAS, the Palomar Community College District Governing Board previously acknowledged that civil and human rights are deeply rooted in the fabric of democratic and principled societies; and

WHEREAS, prominent among Palomar College's Institutional Values are: Supporting inclusiveness of individual and community viewpoints in collaborative decision-making processes; promoting mutual respect and trust through transparency, civility, and open communications; diversity in learning environments, philosophies, cultures, beliefs, and people; access to our programs and services and fostering integrity as the foundation for all we do.

WHEREAS, Palomar College is and will continue to be a safe and inclusive environment for all students, staff, faculty and administrators,

BE IT RESOLVED that the Palomar Community College District Governing Board reaffirms its commitment to undocumented students, and all students who meet the minimum requirements for admission, regardless of immigration status;

BE IT RESOLVED that the Palomar Community College District will not release any personally identifiable student information, including any data related to immigration status, without a judicial warrant, subpoena or court order, unless authorized the by the student or required by law;

BE IT RESOLVED that the Palomar Community College District Governing Board is steadfast in its position and will not cooperate with any federal effort to create a registry of individuals based on any protected characteristics such as religion, national origin, race, or sexual orientation;

BE IT RESOLVED that the Palomar Community College District Governing Board will continue to vigorously advocate for educational opportunities for all students in the community college system, regardless of immigration status at the state and federal level;

BE IT RESOLVED that the Palomar Community College District Governing Board recognizes and celebrates the contributions of our immigrant student population, as their rich histories and cultures have contributed to, created, and engaged global citizenry; and

BE IT RESOLVED that the Palomar Community College District Governing Board will continue to recognize and honor the human rights of all students and their families, regardless of immigration status, family structure, sexual orientation, gender identity, or marital status; and

NOW THEREFORE BE IT RESOLVED that the Palomar Community College District Governing Board reaffirms and stands united in its unequivocal support of a safe immigrant-friendly environment for immigrants and all students who choose to better their lives through education.

AYES:

NOES:

ABSTAIN:

ABSENT:

____
President, Governing Board
Palomar Community College District

Attest:

____
Secretary, Governing Board
Palomar Community College District

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

To the Board of Trustees and Citizens' Oversight Committee
Palomar Community College District
San Marcos, California

We have audited the financial statements of the General Obligation Bond Construction Fund (Measure M) of Palomar Community College District (the District) for the year ended June 30, 2016, and have issued our report thereon dated December 20, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated February 15, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the District changed accounting policies related to fair value measurement and the accounting for certain external investment pools by adopting Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, and Statement No. 79, *Certain External Investment Pools and Pool Participants*, for the year ended June 30, 2016. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the District's General Obligation Bond Construction Fund (Measure M) financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were noted in completing our audit.

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Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2016.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention. We have included the Schedule of Findings and Questioned Costs on page 5 of the Performance Audit.

<u>Restriction on Use</u>

This information is intended solely for the use of the Board of Trustees, management, and Citizens' Oversight Committee of Palomar Community College District. It is not intended to be, and should not be, used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

San Diego, California
December 20, 2016

PALOMAR COMMUNITY COLLEGE DISTRICT

MEASURE M GENERAL OBLIGATION BONDS
ELECTION 2006

FINANCIAL AND PERFORMANCE AUDITS

JUNE 30, 2016

PALOMAR COMMUNITY COLLEGE DISTRICT

MEASURE M GENERAL OBLIGATION BONDS
ELECTION 2006

FINANCIAL AUDIT

JUNE 30, 2016

PALOMAR COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUND

FINANCIAL AUDIT
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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Citizens' Oversight Committee
Palomar Community College District
San Marcos, California

Report on the Financial Statements

We have audited the accompanying financial statements of Palomar Community College District's (the District) Measure M General Obligation Bond Fund (General Obligation Bonds, Election 2006) as of and for the year ended June 30, 2016, and the related notes to the financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's judgment, including the assessment of the risks of material misstatement of 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure M General Obligation Bond Fund (General Obligation Bonds, Election 2006) of the District at June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure M General Obligation Bond Fund specific to General Obligation Bonds, Election 2006, and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the District's Measure M General Obligation Bond Fund's (General Obligation Bonds, Election 2006) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's Measure M General Obligation Bond Fund's (General Obligation Bonds, Election 2006) internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

San Diego, California
December 20, 2016

PALOMAR COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUND

BALANCE SHEET
JUNE 30, 2016

ASSETS	
Investments	$ 232,758,605
Accounts receivable	339,769
Prepaid expenses	212,053
Total Assets	$ 233,310,427
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	$ 3,987,781
Due to other funds	30,213
Total Liabilities	4,017,994
FUND BALANCE	
Nonspendable	212,053
Restricted for bond capital projects	229,080,380
Total Fund Equity	229,292,433
Total Liabilities and Fund Balance	$ 233,310,427

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

PALOMAR COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUND

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

REVENUES	
Local revenues	$ 1,425,825
EXPENDITURES	
Classified salaries	344,935
Employee benefits	178,039
Other expenses and services	1,589,512
Capital outlay	30,543,532
Total Expenditures	32,656,018
NET CHANGE IN FUND BALANCE	(31,230,193)
FUND BALANCE, BEGINNING OF YEAR	260,522,626
FUND BALANCE, END OF YEAR	$ 229,292,433

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Palomar Community College District's (the District) Measure M General Obligation Bond Fund conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The District's Measure M General Obligation Bond Fund accounts for the financial transactions in accordance with the policies and procedures of the California Community Colleges Budget and Accounting Manual.

Financial Reporting Entity

The audited financial statements include only the Measure M General Obligation Bond Fund of the District. This Fund was established to account for the receipt of proceeds of general obligation bond issuances and the expenditures of the proceeds under the General Obligation Bond Election of 2006. These financial statements are not intended to present fairly the financial position and the changes in financial position of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Measure M General Obligation Bond Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to, and accounted for, in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on the general obligation bonds, which are recognized when due.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

Fund Balance - Governmental Funds

As of June 30, 2016, the fund balance of the Measure M General Obligation Bond Fund was classified as follows:

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

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

Change in Accounting Principles

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

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

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

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

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

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

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

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

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

NOTE 2 - INVESTMENTS

Policies and Practices

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

Investment in San Diego County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements based on the fair value provided by the San Diego County Treasurer. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the San Diego County Treasury Investment Pool. The District maintains an investment of $232,758,605 with the San Diego County Treasury Investment Pool with an average maturity of 310 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the San Diego County Treasury Investment Pool is rated AAAf/S1 by Standard & Poor's Investor Service.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

Uncategorized - Investments in the San Diego County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

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

Investment Type	Fair Value	Uncategorized
San Diego County Investment Pool	$ 232,901,551	$ 232,901,551

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

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2016, consist of the following:

Interest	$ 339,769

NOTE 5 - DUE FROM OTHER FUNDS

The General Obligation Bond Fund owes the Unrestricted General Fund $8,017 for salaries.

The General Obligation Bond Fund owes the Internal Service Fund $22,196 for benefit and insurance payments.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consist of the following:

Construction payables	$ 3,987,781

NOTE 7 - FUND BALANCE

Fund balance is composed of the following element:

Nonspendable	
Prepaid expenses	$ 212,053
Restricted	
Bond capital projects	229,080,380
Total Fund Balance	$ 229,292,433

NOTE 8 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2016, the Measure M General Obligation Bond Fund had the following significant construction commitments with respect to unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Landscape Improvements/Arboretum	$ 150,758	3/15/2017
Parking Improvements	17,404	1/15/2018
LL Building - Student Services Center	111,335	3/15/2020
	$ 279,497	

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Measure M General Obligation Bond Fund at June 30, 2016.

INDEPENDENT AUDITOR'S REPORT

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

Board of Trustees and Citizens' Oversight Committee
Palomar Community College District
San Marcos, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Palomar Community College District's (the District) Measure M General Obligation Bond Fund (General Obligation Bonds, Election 2006), as of and for the year ended June 30, 2016, and have issued our report thereon dated December 20, 2016.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure M General Obligation Bond Fund specific to General Obligation Bonds, Election 2006, and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's Measure M General Obligation Bond Fund (Measure M) 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 Measure M General Obligation Bond Fund (Measure M) internal control. Accordingly, we do not express an opinion on the effectiveness of the District's Measure M General Obligation Bond Fund (Measure M) 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 Measure M General Obligation Bond Fund (Measure M) 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.

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

Compliance and Other Matters

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

Purpose of this Report

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

Vavrinek, Trine, Day & Co. LLP

San Diego, California
December 20, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENT FINDINGS
JUNE 30, 2016

None reported.

PALOMAR COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUND

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016

There were no audit findings reported in the prior year's Financial Statement Findings.

PALOMAR COMMUNITY COLLEGE DISTRICT

MEASURE M GENERAL OBLIGATION BONDS
ELECTION 2006

PERFORMANCE AUDIT

JUNE 30, 2016

PALOMAR COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUND

PERFORMANCE AUDIT
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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Board of Trustees and Citizens' Oversight Committee
Palomar Community College District
San Marcos, California

We were engaged to conduct a performance audit of Palomar Community College District's (the District) Measure M General Obligation Bond Fund (General Obligation Bonds, Election 2006) for the year ended June 30, 2016.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Proposition 39 Measure M General Obligation Bond Funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution.

Vavrinek, Trine, Day & Co. LLP

San Diego, California
December 20, 2016

AUTHORITY FOR ISSUANCE

The Measure M General Obligation Bonds (the Bonds) were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code*, and other applicable provisions of law. The Bonds were authorized to be issued by a resolution adopted by the Board of Supervisors of North San Diego County (the County Resolution), pursuant to a request of the Palomar Community College District (the District) made by a resolution adopted by the Board of Education of the District (the District Resolution).

The District received authorization from an election held in November 2006 to issue bonds of the District in an aggregate principal amount not to exceed $694,000,000 to finance specific acquisition, construction, and modernization projects approved by eligible voters within the District. The Measure required approval by at least 55 percent of the votes cast by eligible voters within the District. The Measure M Bond Funds represent the authorized bond issuance of the Series 2006A, Series 2006B, Series 2006C, and 2015 Refunding bonds.

PURPOSE OF ISSUANCE

Pursuant to the 2006 Authorization, the proceeds of the Bonds will be used to finance the repair, renovation, and construction of facilities noted on a specific Project List for facilities of the District. The bond project list includes:

- Upgrade nursing and emergency medical career training labs
- Modernize outdated science, computer and job training labs/equipment
- Upgrade electrical and technology infrastructure
- Repair/replace deteriorated roofs, plumbing, lighting, heating, and ventilation systems
- Improve energy efficiency
- Modernize/replace outdated classrooms and student support facilities
- Complete safety upgrades to college buildings and grounds

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIIIA, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

2. The community college district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction, and information technology needs in developing the project list.

3. Requires the community college district to appoint a Citizens' Oversight Committee.

4. Requires the community college district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.

5. Requires the community college district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

- Determine whether expenditures charged to the Bonds have been made in accordance with the Bond project list approved by the voters through the approval of the Measure M.

- Determine whether proceeds received from the issuance of the Bonds has been deposited into the specific fund used to account for Measure M approved projects or for the refunding of previously issued bonds.

- Determine whether salary transactions charged to the Bonds were in support of Measure M and not for District general administration or operations.

- Determine if the Citizens' Oversight Committee was appropriately appointed and met during the year.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2015 to June 30, 2016. The population of expenditures tested included all object and project codes associated with the Bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2016, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2016, for the Bonds. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIIIA, Section 1(b)(3)(C) of the California Constitution and Measure M as to the approved Bond projects list. We performed the following procedures:

1. We verified that a separate Bond Fund of the District has been established to account for the receipt of Bond proceeds and expenditure of the funds for the period July 1, 2015 through June 30, 2016.

2. We verified interest revenue in the amount of $1,425,825 was appropriately deposited into the Bond fund for use for the approved Measure M projects.

3. We reviewed the Citizens' Bond Oversight Committee members and noted that they did not have all of the established members required by the Proposition.

4. We verified the Citizens' Bond Oversight committee met regularly during the year with agendas and/or minutes of the meetings maintained.

5. We selected a sample of expenditures for the period starting July 1, 2015 and ending June 30, 2016, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.

6. Our sample included transactions totaling $23,009,728. This represents 70 percent of the total expenditures of $32,656,018.

7. We verified that funds from the Bonds were expended for the voter authorized Bond projects as listed in the Approved Bond Project Listing.

8. We verified that the District used formal bid procedures for those contracts over the construction bid level requirements in accordance with the Education Code requirements and District policies.

CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures held in the Bond Funds and that such expenditures were made for authorized Bond projects. Further, it was noted that salaries of administrators were charged to the Bonds only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004, by the State of California Attorney General. District procedures for disbursement of funds were applied in accordance with laws and regulations, as well as policies approved by the Board of Trustees.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

2016-001 CITIZENS' BOND OVERSIGHT COMMITTEE

Criteria or Specific Requirement

Pursuant to the Constitution and laws of the State of California, including the provisions of Chapter 1.5 of Part 10, Article 2, Section 15282 of the California *Education Code*, the Citizens' Oversight Committee shall consist of at least seven members to serve for a term of two years without compensation and for no more than two consecutive terms. While consisting of a minimum of at least seven members, the Citizens' Oversight Committee shall be comprised as follows:

1. One member shall be active in a business organization representing the business community located within the district.
2. One member shall be active in a senior citizens' organization.
3. One member shall be active in a bona fide taxpayers' organization.
4. For a school district, one member shall be the parent or guardian of a child enrolled in the district. For a community college district, one member shall be a student who is both currently enrolled in the community college district and active in a community college group, such as student government. The community college student member may, at the discretion of the board, serve up to six months after his or her graduation.
5. For a school district, one member shall be both a parent and guardian of a child enrolled in the district and active in a parent-teacher organization, such as the Parent Teacher Association or schoolsite council. For a community college district, one member shall be active in the support and organization of a community college or the community colleges of the district, such as a member of an advisory council or foundation.

In addition, no employee or official of the District shall be appointed to the Citizens' Oversight Committee. No vendor, contractor, or consultant of the District shall be appointed to the Citizens' Oversight Committee.

Condition

The District currently does not have the minimum required number of Citizens' Oversight Committee members. The District does not have an active member in a bona fide taxpayers' organization or a student who is both concurrently enrolled in the community college district and active in a community college group.

Recommendation

It is recommended that the Board of Trustees search for and appoint the required members to the Citizens' Oversight Committee to represent the noted constituencies as required by the California Constitution.

Management's Response and Corrective Action Plan

The District is actively seeking volunteers to fill the vacancies of the Independent Citizens' Oversight Committee.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

To the Board of Trustees
Palomar Community College District
San Marcos, California

We have audited the basic financial statements of Palomar Community College District (the District) for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. As described in Note 2 to the financial statements, the District changed accounting practices related to fair value measurement and accounting for certain external investment pools by adopting Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*, and GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The application of existing policies was not changed during the year ended June 30, 2016. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

> Management's estimate of the cost of capital assets net of accumulated depreciation. Depreciation is the recognition of the use of the capital assets over time. Conditions may exist that result in assets having a longer or shorter useful life than is reflected within these statements. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole. Note 6 to the financial statements provides additional information.
>
> Management's estimate of the OPEB liability is based on the work performed by an actuary. We evaluated the key factors and assumptions used by the specialist to develop the OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole. Note 11 to the financial statements provides additional information.
>
> Lastly, the estimate of the future costs of pension plan benefits provided to retirees is based upon employee members' final compensation, age and years of service credit, District contributions to the plans, and projected retirement pension benefit pay-outs. These factors are considered by the actuary in determining both the estimated liability, as well as deferred inflows and outflows of resources associated with the liability. Note 13 to the financial statements provides additional information about the actuarial methods and assumptions used, and the required supplementary information provides the schedule of progress toward funding this liability.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were noted in completing our audit.

Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2016.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention. We have issued a management letter which provides suggestions for improvements in internal control.

Other Matters

With respect to the supplementary information accompanying the financial statements, we applied certain limited procedures to management's discussion and analysis, budgetary comparison, other postemployment benefit information, pension liability, and contribution information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Trustees and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

San Diego, California
December 20, 2016

PALOMAR COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

PALOMAR COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2016

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Palomar Community College District
San Marcos, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Palomar Community College District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the 2015-2016 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 22, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 70, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 71, and the Schedule of District Contributions on page 72, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

San Diego, California
December 20, 2016

PALOMAR COLLEGE®
Learning for Success
1140 West Mission Road, San Marcos, California 92069-1487 • 760-744-1150 • www.palomar.edu

The Management's Discussion and Analysis (MD&A) of Palomar Community College District of San Marcos, California (d/b/a Palomar College, the District, or the College) provides an overview of the District's financial activities and results of operations for the years ended June 30, 2016 and 2015. The District's administration prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Readers of the financial statements, including the MD&A, are encouraged to review the notes to the basic financial statements to enhance their understanding of the District's financial performance. Responsibility for the completeness and fairness of this information rests with the District's administration.

The California Community College Chancellor's Office, through its Fiscal Standards and Accountability Committee, has recommended that all State community college districts follow the Business-Type Activity (BTA) model for financial statement reporting purposes. The District is following the BTA model, which presents the financial statements using the full accrual basis of accounting.

As required by the Governmental Accounting Standards Board (GASB) reporting standards, the annual report consists of the following components that provide information on the District as a whole:

- Management's Discussion and Analysis
- Basic financial statements including the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows
- Notes to Financial Statements

THE COLLEGE

The California community colleges form the largest system of higher education in the nation composed of 72 districts encompassing 113 colleges serving approximately 2.1 million students per year. Community colleges supply certificate and degree programs, basic skills, and preparation for transfer to four-year institutions.

Palomar Community College District is a comprehensive single-college district and is the largest single community college district in San Diego County. The main campus is situated on 200 acres located in the City of San Marcos, about 30 miles from the City of San Diego. In addition to the San Marcos campus, the District operates an education center in the City of Escondido and offers classes throughout the northern communities of San Diego County: Camp Pendleton, Fallbrook High School, Mt. Carmel High School, Ramona High School, and Pauma Indian Reservation. Other instructional sites are located at the Public Safety Training Center in San Marcos, San Diego Carpenters Training Center, San Diego Electrical Training Center, San Diego Sheet and Metal Training Center, and Riverside and San Bernardino Joint Electrical Apprenticeship Training Center. To increase educational opportunities in the under-served areas of the District, Palomar College plans to establish two new State-approved educational centers, one near Fallbrook and another in Rancho Bernardo. The District plans to offer classes at both sites beginning in 2018.

Palomar Community College District, a political subdivision of the State of California, was founded in 1946. It has been an important provider of higher education and training to the 2,555 square miles of the District's service area. The District is a public, two-year community college, serving approximately 25,000 students per semester. Approximately 31 percent of the students are enrolled full-time, while about 62 percent are enrolled part-time in credit courses, and 7 percent are enrolled in noncredit courses. About 63 percent of our students are 24 and under, while 37 percent are 25 and older. At Palomar, students may choose from a variety of courses and programs offered through face-to-face, distance education, or in a hybrid format that lead to associate degrees, certificates of achievement, and/or transfer to four-year institutions.

The College is organized into five instructional divisions: 1) Arts, Media, Business and Computer Science; 2) Career, Technical, and Extended Education; 3) Languages and Literature; 4) Mathematics and the Natural and Health Sciences; and 5) Social and Behavioral Sciences. Within those five divisions, the College offers 162 associate degrees and 155 certificates of achievement programs that meet the California Education Code of Regulations, Title 5 curriculum requirements. It also provides noncredit community development and personal entitlement courses for lifelong learning.

A community-elected five-member Board governs Palomar Community College District. Trustees are elected for four-year staggered terms. The Governing Board also seats an elected student trustee as a non-voting member. The Governing Board establishes policies, assures fiscal stability, and monitors the institutional performance and educational quality consistent with the mission and goals of the College. The Board appoints the Superintendent/President of the College, and all administrators are selected using appropriate State Chancellor's Office guidelines and District policies.

The College's mission statement, consisting of the vision, mission, and values, was last revised in 2013 and adopted by the Board in January 2014. Palomar College's vision is "***Learning for Success***". The District's mission is "*to provide an engaging teaching and learning environment for students of diverse origins, experiences, needs, abilities, and goals. As a comprehensive community college, we support and encourage our students who are pursuing transfer-readiness, general education, basic skills, career and technical training, aesthetic and cultural enrichment, and lifelong education*". Palomar College is dedicated to empowering students to succeed and cultivating an appreciation of learning. In March 2010, the Strategic Planning Council and Budget Committee formulated an Integrated Planning, Evaluation, and Resource Allocation Decision-Making Model (IPM) and a Resource Allocation Model (RAM). All fiscal and budget decisions have been made with the College's core mission in mind.

Palomar College is accredited through the Accrediting Commission for Community and Junior Colleges (ACCJC) and the Western Association of Schools and Colleges. The College has transfer agreements with the California State University and University of California systems, and its high-level coursework in transferable classes fully prepares students for success at four-year colleges and universities. In June 2015, the ACCJC reaffirmed Palomar College's accreditation, recognizing how well the College is achieving its stated purpose and meeting the Commission standards.

In August 2003, Palomar Community College District completed the comprehensive Educational and Facilities Master Plan 2022 containing the identified needs of the District: construction of new instructional and support buildings, modernization of existing buildings, infrastructure upgrades, and the development of two educational centers. In the November 2006 General Election, voters approved Proposition M, a $694 million educational facilities improvement bond. The total proposition is funded through the sale of several series of bonds with the first three series sold in May 2007 (Series A), November 2010 (Series B), and April 2015 (Series C), respectively. As of June 30, 2016, a total of $570 million of the 2006 authorization had been sold and proceeds are being used to fund approved projects. An Independent Citizens' Oversight Committee (ICOC) reviews the expenditure of funds to ensure that bond revenues are expended only for projects to be conducted in completion of Master Plan 2022. As a governmental unit, the District's financing activities and choices are bound by Federal and State restrictions.

Palomar Community College District is primarily dependent upon the State of California for funding of educational and support programs. Senate Bill 361 (Ch. 631, Stats. 2006) established the community college funding system. The sources for the Apportionment consist of three primary components: general apportionment, local property taxes, and student enrollment fees.

The County of San Diego is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the County. The County apportions property tax revenues in accordance with Section 4705 of the California Revenue and Taxation Code. Property taxes are recorded as local revenue source by the District.

The California Community College Chancellor's Office reduces the District's "Total Computational Revenue" entitlement by the District's local property tax revenue and student enrollment fees. The balance is paid from the State's General Fund and is referred to as the State's apportionment. The Chancellor's Office calculates the Base Revenue three times each year and retroactively for one fiscal year. Each district does not know the final recalculation until as late as the First Principal Apportionment (P1), which is usually released in February following the end of the fiscal year.

The District's base revenue is the amount of general purpose tax revenue, per Full-time Equivalent Student (FTES), that the District is entitled by law. In 2015-2016, the funded rate for credit FTES and non-credit CDCP FTES is $4,723.60 as specified in the Principal Apportionment Report. The non-credit FTES rate is $2,840.43. The Basic Allocation for Palomar continues to reflect a designation as a large district with over 19,880 FTES and one center with over 994 FTES.

FINANCIAL AND ATTENDANCE HIGHLIGHTS FOR THE FISCAL YEAR 2015-2016

- The 2015-2016 Budget Act reflects the State's continued reinvestment in public education, with greater funding augmentations for the California Community Colleges system. Specifically, the 2015-2016 Budget Act provided for 3.0 percent funding for access ($156.5 million), 1.02 percent ($61 million) for Cost of Living Adjustment (COLA), $266 million for general operating increase, $200 million increase in the Student Success and Support Program, $29 million for Apprenticeship programs, $2.5 million COLA for EOPS, DSPS, CalWORKS, and Childcare Tax Bailout Programs, $148 million for deferred maintenance, instructional equipment, and drought resistance, $94.5 million to eliminate system deferrals, $632 million to pay down mandates (allocated per FTES), and $38.7 million for Proposition 39.

- Fiscal year 2015-2016 ended with a strong unrestricted fund balance of $21.8 million or 19.8 percent of expenditures. The District benefited from increased State funding levels (i.e. Prior Year Apportionment adjustments, Prop 39, categorical programs, etc.), and savings resulting from the Supplemental Employee Retirement Plan offered in 2014-2015. The District has also joined SISC (Self-Insured Schools of California) in an effort to control its health care costs.

- Salaries and benefits continue to comprise the largest portion of the District's expenses. In 2015-2016, 85.8 percent of the unrestricted funds were spent on salaries and benefits.

- The District met or exceeded all Federal and State mandate requirements including the 50% Law and Faculty Obligation Numbers (FON).

- The District entered into its first year of Stabilization period and reported 16,603 Full-Time Equivalent Students (FTES) on the 2015-2016 Annual Attendance Report, representing 18.2 percent below base. The recent decline in enrollment is attributable to a convergence of factors including changes in the State's course enrollment repeatability policy, changes in financial aid regulations, slight reductions in unemployment, and an improved economy. Budget Stability, Title 5 CCR § 58776, provides a one-year "hold harmless" for declines in FTES during which the District receives at least the same funding for enrollment as the prior year. The State applied $14.2 million in stability funds to the District's Apportionment calculation despite the reduction in FTES. In the subsequent three years, Palomar is eligible for Restoration, which allows the District to generate FTES back to or above the pre-decline base and potentially earn any reductions in Apportionments. Restoration covers three years following the initial year of FTES decline (Education Code § 84750.5).

- The District is funding its Other Postemployment Benefit (OPEB) obligation in advance through its Annual Required Contribution (ARC) in accordance with GASB Statement No. 45. This represents the cost of providing postemployment health and dental benefits to eligible employees through a closed single employer defined benefit plan. As part of the funding plan, the District maintains a post-retirement benefits fund to designate resources for retiree health costs and an irrevocable trust fund established with the Community College League of California. Future expenditures to fund the OPEB obligation will be dependent on actuarial studies completed every two years.

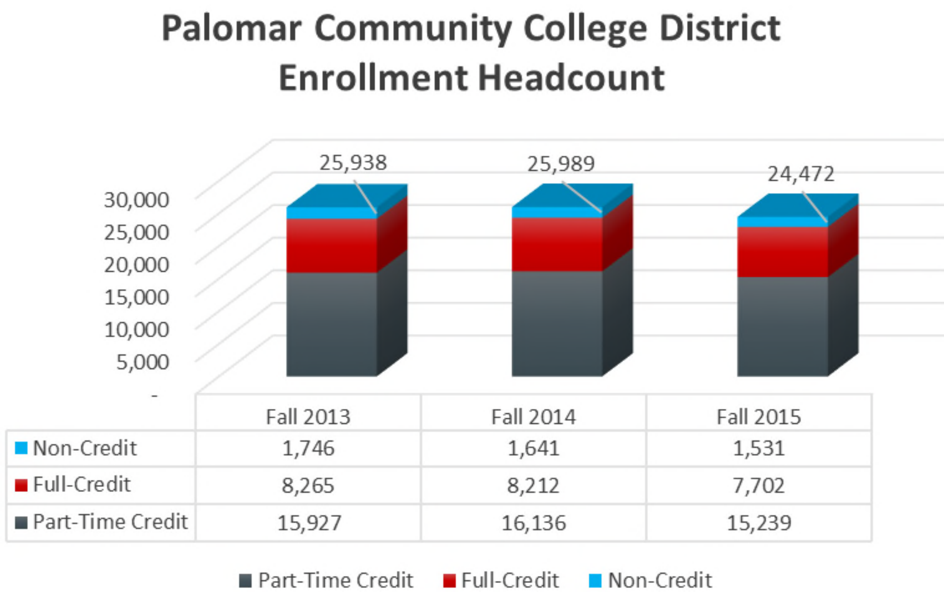
- Mandated block grant continued at $28 per FTES.

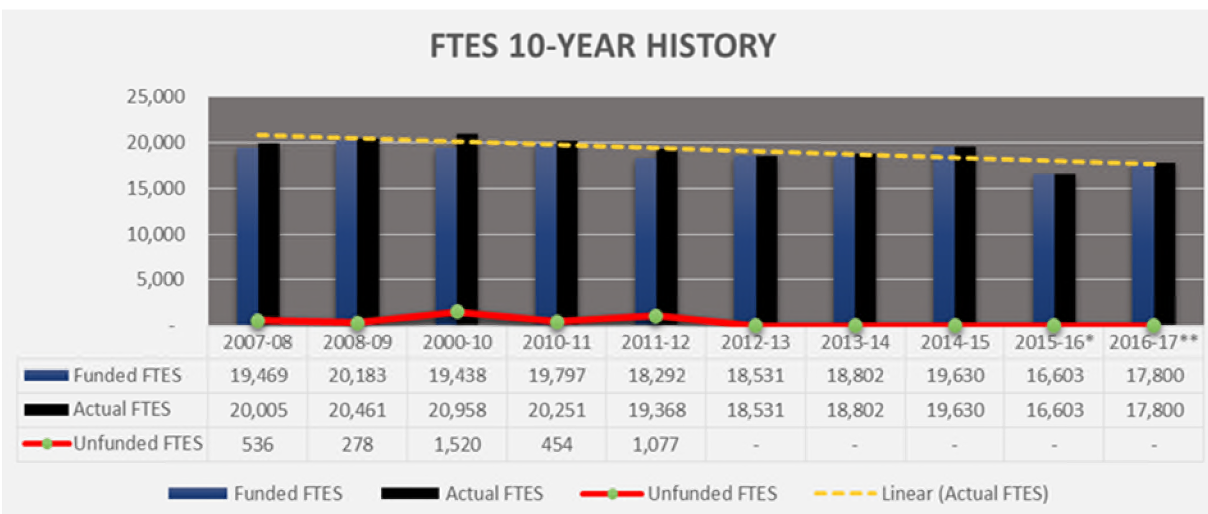
- The District met all of its repayment obligations for Proposition M General Obligation Bonds.

- Under AB 1469, the CalSTRS employer contribution rate for fiscal year 2015-2016 was 10.73 percent, an increase of 1.85 percent over fiscal year 2014-2015. The CalPERS employer contribution rate for fiscal year 2015-2016 was 11.85 percent, an increase of .08 percent over the prior year.

- The District has consistently maintained a 7.0 percent Governing Board reserve level for contingencies and expansion.

ENROLLMENT TRENDS





*****Projected (Final numbers will be released by the Chancellor's Office at Recalculation, February 2017)
******The District has made conservative revenue assumptions for all major sources of funding for the next fiscal year. Enrollment revenue for fiscal year 2016-2017 is conservatively based on 17,800 Target FTES.

OVERVIEW OF THE FINANCIAL STATEMENTS

Palomar Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These entity-wide financial statements focus on the District as a whole, whereby all of the District's overall financial activities and results of operations are consolidated into one total rather than the traditional presentation of individual fund groups.

Effective for the year ended June 30, 2015, the District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These standards introduce and define *deferred outflows of resources* and *deferred inflows of resources* as elements of the annual financial report and incorporate these elements in the computation of the District's net position, previously referred to as net assets. These elements represent the consumption (deferred outflow) or acquisition (deferred inflow) of resources by the District that are applicable to a future reporting period, but do not require any further exchange of goods or services. As prescribed by GASB Statements No. 63 and No. 65, certain prior period amounts have been reclassified to conform to the current year's presentation.

Effective for the year ended June 30, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These new statements require that the District reflect its proportionate share of pension liabilities in the financial statements. Previously, these pension liabilities were only reflected in the State of California's financial statements. As a result, most K-14 districts will show a negative net position on their financial statements.

Included in this discussion is an analysis of the District's Statement of Net Position, which presents the assets, liabilities, and the net position of the District and, when applicable, deferred outflows of resources and deferred inflows of resources as of the end of the fiscal years June 30, 2016 and 2015. The Statement of Revenues, Expenses, and Changes in Net Position reflects revenues and expenses recognized during the fiscal year. Further, the Change in Cash Position provides information about cash receipts and cash payments during the fiscal year.

STATEMENT OF NET POSITION

The Statement of Net Position presents all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District as a whole. It is prepared using the full accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position provides a snapshot of the District's overall financial condition as of June 30, 2016.

Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally measured using current values. One exception is capital assets, which are stated at historical cost less an allowance for depreciation. Deferred outflows and deferred inflows of resources are recognized through the consumption or acquisition of resources by the District that is applicable to a future reporting period.

Assets

The District's assets consist of cash, investments, net accounts receivable, capital assets, and other assets. These assets are resources with present capability to enable the College to provide services and continue its operations.

Current cash and investments consist mainly of unrestricted and restricted cash in the County Treasury ($331.3 million). The change from last year reflects the use of the funds on capital projects. The Statement of Cash Flows included in these financial statements provides greater detail of the sources and uses of District's cash during fiscal year 2015-2016.

Accounts receivables include income earned but not received from State and Federal grants, interest income, and lottery revenues. Other current assets include prepayments to vendors for goods or services that will not be received until the following fiscal year.

The net increase in capital assets of $19.8 million relates primarily to the Measure M bond construction spending. "Total Assets" include the value of capital assets (net of accumulated depreciation).

Deferred Outflows of Resources

Deferred outflows of resources include amounts associated with the refunding of debt and pension contributions made during the fiscal year that are removed from expenses. The net increase of $14.2 million from last year reflects increases in statutory rates for pension contributions.

Liabilities

The liabilities of the District consist of current liabilities and long-term obligations. The major components of the current liabilities outstanding debt and related interest payable, accrued payroll, State apportionment liability, and amounts payable to vendors. A decrease of $1.3 million in Accounts Payable and Accrued Liabilities relates to more timely receipt and payment of invoices.

Long-term obligations are debt with maturities of more than one year, which consist of General Obligation Bond repayments, Lease Revenue Bonds, compensated absences payable, load banking, PARS Supplemental Early Retirement Program (SERP) obligation, net OPEB obligation, and aggregate net pension liability.

Deferred Inflows of Resources

Deferred inflows of resources represent pension costs, resulting from the difference between projected and actual earnings on pension plan investments. This amount is deferred and amortized over five years.

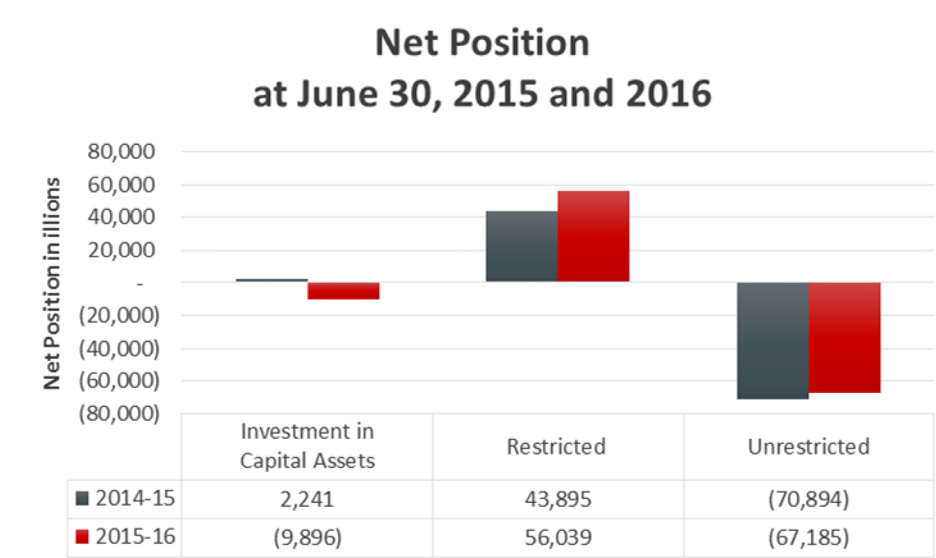
Net Position

The total net position is one indicator of the District's financial health. Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The change in net position reveals whether the overall financial condition has improved or worsened during the year. Over time, increases or decreases in net position will point out the improvement or erosion of the District's financial health when considered with nonfinancial facts, such as enrollment levels, State changes in funding, facility changes, etc.

Net position represents residual District assets and deferred outflows after liabilities and deferred inflows are deducted. The net position is categorized between net investment in capital assets, restricted net assets, and unrestricted net assets. The net investment in capital assets represents the equity amount in property, plant, and equipment owned by the District. Restricted net position represents funds that are limited in terms of the purpose and time for which the funds can be spent. It is subject to externally imposed restrictions governing their use. Unrestricted net position is defined by GASB Statements No. 34 and No. 35 as those assets that do not have external legal restrictions against them, including any amounts designated by the Governing Board.

GASB Statements No. 68 and No. 71 require all governmental agencies to report their proportional shares of net pension liabilities, resulting in a negative net position for the District.

The District's Net Position shows an overall increase of $3.7 million from the prior year.



STATEMENT OF NET POSITION FOR FISCAL YEARS 2016 AND 2015

A summarized comparison of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2016 and 2015, is presented below:

THE DISTRICT AS A WHOLE

Net Position

(Amounts in thousands)

	2016	2015	Change
ASSETS			
Current Assets			
Cash and investments	$ 331,341	$ 348,784	$ (17,443)
Accounts receivable (net)	12,663	7,801	4,862
Other current assets	478	187	291
Total Current Assets	344,482	356,772	(12,290)
Capital Assets (net)	360,591	340,792	19,799
Total Assets	705,073	697,564	7,509
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	10,028	13,271	(3,243)
Current year pension contribution	21,349	7,122	14,227
Net change in proportionate share of net pension obligation	-	68	(68)
Total Deferred Outflows	31,377	20,461	10,916
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	19,034	20,294	(1,260)
Unearned revenue	5,172	3,550	1,622
Current portion of long-term debt	12,834	5,839	6,995
Total Current Liabilities	37,040	29,683	7,357
Long-Term Obligations	697,718	689,267	8,451
Total Liabilities	734,758	718,950	15,808
DEFERRED INFLOWS OF RESOURCES			
Difference between projected and actual earnings on pension plan investments	22,734	23,833	(1,099)
NET POSITION			
Net investment in capital assets	(9,896)	2,241	(12,137)
Restricted	56,039	43,895	12,144
Unrestricted	(67,185)	(70,894)	3,709
Total Net Position	$ (21,042)	$ (24,758)	$ 3,716

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents the District's financial results of operations for the fiscal year. The revenues and expenses are categorized as operating and nonoperating, and expenses are reported by natural classification. The purpose of this statement is to report the operating and nonoperating expenses incurred, whether paid or not, by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District.

Operating Revenues and Expenses

Generally, operating revenues are earned for providing educational and programmatic services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire goods or provide services in return for the operating revenues used to fulfill the mission of the District.

The operating revenues are generated by the resident enrollment fees, non-resident, and out-of-State tuition paid by students, including fees such as health fees, parking fees, and other related fees. The decrease in Total Operating Revenues directly related to the decrease in enrollment.

The primary operating expenses of the District are for the salaries and benefits of academic, classified, and administrative personnel, comprising of $111.6 million or 62.7 percent of the total operating expenses from a District-wide full accrual perspective. This amount includes the activity from all District funds. These costs decreased $9.7 million from the previous fiscal year, from $121.3 million to $111.6 million. The net decrease is primarily due to the number of faculty, classified, and management employees who participated in the Supplemental Early Retirement Plan at the end of fiscal year 2014-2015.

Given all community colleges' dependency on revenues such as State appropriations, property taxes, sales taxes and other revenues, and investment income, which are prescribed by GASB as nonoperating revenues, operating expenses exceed operating revenues, resulting in a loss on operations.

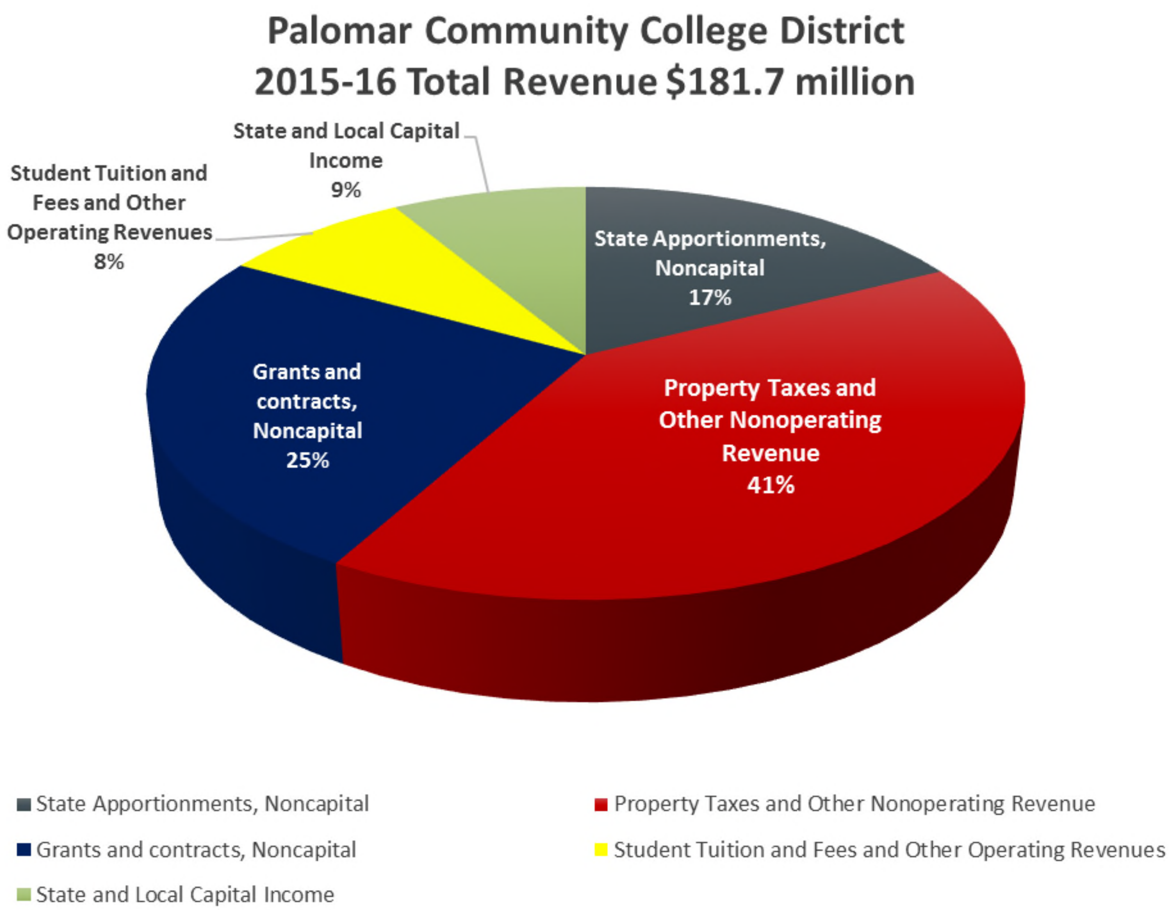
Nonoperating Revenues and Other Revenues

Nonoperating revenues and other State and local revenues are those received or pledged for which goods and services are not provided to the entity providing the revenues. For example, State appropriations are nonoperating revenues because they are provided by the State Legislature to the District without the Legislature directly receiving commensurate goods and services for the revenues. Total nonoperating revenues or expenses are an integral component in determining the increases or decreases in net position.

Total Revenue

Total operating, nonoperating, and other revenues increased $14.1 million, a 8.4 percent increase from $167.6 million to $181.7 million mainly due to increases in Federal and State categorical programs, adjustments to the Prior Year Apportionment, increases in State Lottery allocations, and COLA. Grants and contracts are received from Federal, State, and local sources and are used for instructional and student support activities. Property taxes received through the Auditor-Controller's Office for San Diego County also increased by $13.7 million or 18.6 percent; however, the amount received for property taxes is deducted from the total apportionment amount calculated by the State for the District.

The following chart shows the sources of revenue to the District. The largest sources are Property Taxes and Other Nonoperating Revenue (41 percent), Grants and Contracts – Noncapital (combined Federal and State, 25 percent) and State Apportionments, Noncapital (17 percent), which is derived from the State's funding formula for community colleges.



As presented in the Statement of Revenues, Expenses, and Changes in Net Position, total revenues were $181.7 million while total expenditures were $177.9 million. The cumulative effect of the GASB Statements No. 68 and No. 71 change in accounting principles resulted in a $3.8 million increase to the District's net position as of June 30, 2016.

A summarized comparison of the District's revenues, expenses, and changes in net position for the years ended June 30, 2016 and 2015, is presented below:

Operating Results for Fiscal Years 2016 and 2015

(Amounts in thousands)

	2016	2015	Change
Operating Revenues			
Tuition and fees, net	$ 14,959	$ 16,061	$ (1,102)
Auxiliary sales and charges	112	93	19
Total Operating Revenues	15,071	16,154	(1,083)
Operating Expenses			
Salaries and benefits	111,639	121,286	(9,647)
Supplies, maintenance, and equipment	39,369	35,302	4,067
Student financial aid	20,293	19,508	785
Depreciation	6,657	5,681	976
Total Operating Expenses	177,958	181,777	(3,819)
Loss on Operations	(162,887)	(165,623)	2,736
Nonoperating Revenues			
State apportionments, noncapital	31,781	29,780	2,001
Property taxes	87,523	73,820	13,703
Grants and contracts, noncapital	45,583	41,163	4,420
State taxes and other revenues	4,953	5,146	(193)
Investment income	1,686	779	907
Other nonoperating revenues (expenses), net	(20,480)	(2,348)	(18,132)
Total Nonoperating Revenue	151,046	148,340	2,706
Other Revenues			
State and local capital income	15,557	3,089	12,468
Net Change in Net Position	$ 3,716	$ (14,194)	$ 17,910

The following represents the fiscal year 2016 operating expenses by function:

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Student Financial Aid	Depreciation	Total
Instructional activities	$ 38,138	$ 12,098	$ 5,196	$ 836	$ -	$ -	$ 56,268
Academic support	13,545	5,243	7,351	1,195	-	-	27,334
Student services	13,227	3,994	2,683	525	198	-	20,627
Plant operations and maintenance	3,479	2,032	5,443	2,744	-	-	13,698
Instructional support services	8,360	7,463	4,410	577	-	-	20,810
Community services and economic development	151	54	11	35	-	-	251
Ancillary services and auxiliary operations	2,789	1,066	586	33	-	-	4,474
Student aid	-	-	-	-	20,095	-	20,095
Physical property and related acquisitions	-	-	2,636	5,108	-	-	7,744
Unallocated depreciation	-	-	-	-	-	6,657	6,657
Total	$ 79,689	$ 31,950	$ 28,316	$ 11,053	$ 20,293	$ 6,657	$ 177,958

STATEMENT OF CASH FLOWS

The Statement of Cash Flows is presented using the direct method and provides analysis related to cash inflows and outflows, summarized by operating, capital and noncapital financing, and investing activities, and illustrates the sources and uses of cash. This statement allows the reader to assess the District's ability to generate positive cash flows, meet obligations as they become due, and evaluate the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. Cash receipts from operating activities are from student tuition and from Federal, State, and local grants. The primary operating expense of the District is the payment of salaries and benefits to faculty, administrators, and classified staff.

The second part of the Cash Flow details cash received for nonoperating, non-investing, and noncapital financing purposes. General apportionments, property taxes, and Federal and State grants and contracts are the primary sources in noncapital financing activities.

The third part shows cash flows from capital and related financing activities. This part deals with the cash used for acquisition and construction of capital and related items.

The fourth part provides information on investing activities and the amount of interest received. Cash from investing activities consists of interest earned on cash in bank and cash invested through the San Diego County Treasury.

The last part reconciles the net cash provided by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

The Statement of Cash Flows for the fiscal years ended June 30, 2016 and 2015, is presented below:

(Amounts in thousands)

	2016	2015	Change
Cash Provided by (Used in)			
Operating activities	$ (161,273)	$ (143,852)	$ (17,421)
Noncapital financing activities	147,133	142,883	4,250
Capital financing activities	(4,989)	227,828	(232,817)
Investing activities	1,686	779	907
Net Increase (Decrease) in Cash	(17,443)	227,638	(245,081)
Cash, Beginning of Year	348,784	121,146	227,638
Cash, End of Year	$ 331,341	$ 348,784	$ (17,443)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, the District had $360.6 million invested in net capital assets. The District continues to implement its long-range plan to modernize and renew its instructional and support services facilities to fulfill its mission. Construction in progress reflects multi-year projects which, once completed and placed into service, are generally categorized as capital assets. Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation, are added to total net position.

Projects completed during the fiscal year 2015-2016 include:

- Baseball Field Complex
- Early Childhood Education (ECE) Lab School (formerly Child Development Center)

Projects in progress during the fiscal year 2015-2016 include:

- Building A Remodel
- Parking Lot 12 - Parking Structure and Police Substation
- Library and Learning Resource Center
- South Education Center
- LL Building Remodel (Student Services One-Stop Shop)
- Maintenance and Operations Building

Note 6 to the financial statements provides additional information on capital assets. A summary of the District's investment in capital assets, net of depreciation, is presented below:

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 131,234	$ 25,689	$ 32,533	$ 124,390
Buildings and improvements	245,637	32,533	-	278,170
Furniture and equipment	20,319	772	604	20,487
Subtotal	397,190	58,994	33,137	423,047
Accumulated depreciation	(56,398)	(6,657)	(599)	(62,456)
	$ 340,792	$ 52,337	$ 32,538	$ 360,591

Obligations

As of June 30, 2016, the District had $710.6 million in debt primarily made up of general obligation and lease revenue bonds. Note 10 to the financial statements provides additional information on long-term obligations. A summary of long-term obligations is presented below:

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation and lease revenue bonds	$ 599,598	$ 7,502	$ 7,320	$ 599,780
Aggregate net pension obligation	84,411	15,351	-	99,762
Other liabilities	11,097	7,205	7,292	11,010
Total Long-Term Obligations	$ 695,106	$ 30,058	$ 14,612	$ 710,552
Amount due within one year				$ 12,834

DISTRICT FIDUCIARY RESPONSIBILITY

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are reported separately in the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. Net position of fiduciary activities is excluded from the District's net position because the District cannot use fiduciary assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

2016-2017 BUDGET HIGHLIGHTS

The State economy continues to improve and Community Colleges are receiving revenue increases to Apportionments and categorical programs. The 2016-2017 Budget Act was passed by the Legislature on June 15, 2016 and signed by the Governor on June 27, 2016. The State has focused primarily on three main areas of higher education: access, affordability, and performance. The 2016-2017 Budget Act included the following adjustments:

- An increase of $114 million Proposition 98 General Fund for 2-percent Growth in Full-Time Equivalent Students. Since the District is currently in Stabilization/Restoration period, pre-decline FTES level must be fully restored in order to access Growth.

- An increase of $75 million Proposition 98 General Fund to support increased community college operating expenses in areas such as employee benefits, facilities, and other general expenses. Approximately $5.4 million of base increase is in the District's budget.

- An increase of up to $31 million Proposition 98 General Fund in 2015-2016 provided on a contingency basis, for an anticipated shortfall in redevelopment agency property taxes for community college apportionments. The amount of adjustment will be based on 2017 P2 Property Tax Report.

- No cost-of-living adjustment (COLA) in 2016-2017 compared to 1.02 percent funding in 2015-2016.

- $200 million to improve the delivery of all career and technical education efforts and expand regional workforce training (known as the Strong Workforce Program). This is up to $2 million for Palomar.

- $105.5 million to pay down Mandated Cost reimbursements to be allocated on a per-FTES basis. This is approximately $1.5 million in one-time funds for Palomar.

- There is no change to the current enrollment fee amount of $46 per credit unit (or $1,380 for a full-time student taking 30 units per year). This fee has remained unchanged since 2011-2012. Community Colleges continue to offer noncredit instruction at no charge.

The most important element of the State funding is the Total General Apportionment allocation. Apportionment revenue is directly tied to the generation and reporting of FTES. Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The Governing Board approved the 2016-2017 Adopted Budget on September 13, 2016.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The economic position of the District is closely tied to the State of California as the general apportionment revenue that is allocated to the District represents the majority of the total unrestricted sources of revenues within the General Fund. The District's base funding is received from a combination of State apportionment, property taxes, and student enrollment fees.

California relies on a variety of taxes, of which Personal Income Tax (PIT), Sales and Use Tax, and Corporation Tax rank as the predominant sources of State revenues. PIT is levied on relatively volatile components of personal income. With PIT now providing over two-thirds of State General Fund revenue, income fluctuations among taxpayers can contribute to State revenues rising or falling by billions of dollars per year. State spending as a percent of PIT has generally increased steadily over the years. The State covers a large share of education cost, consisting of direct apportionments to K-12, community colleges, the California State University and the University of California systems. In the last two fiscal years, the State's reserve balances have been considerably higher than historical averages, reflecting both mandatory reserve deposits under Proposition 2 (2014) and additional, discretionary deposits. Contributing to the strength of the State economy are strong and well developed technology, manufacturing, entertainment, and tourism sectors. Assuming steady economic growth and restraint in augmenting current program funding levels, there is an improved fiscal outlook in the years ahead.

While the State's economic recovery is progressing upward, California community colleges face future risks, and appropriate caution when increasing expenditures must be exercised as we move forward:

- Proposition 30 (2012) established the Education Protection Account (EPA), which receives funding from increased taxes approved by initiative. The sales tax rate increase began in 2013 and is set to expire at the end of 2016. The income tax increase began in 2012 and will last through 2018. Proposition 55 (2016) extends the income tax increase on high-income taxpayers that resulted from Proposition 30, which is expected to provide between $4 billion and $9 billion annually in State revenue from 2019 through 2030. The range of revenue is wide because it depends on the economy and stock market. The exact amount that the State must spend on community colleges in the future depends on several factors that are difficult to predict. If the expected revenues are realized, the community colleges' share is estimated to be between $200 and $450 million annually. Proposition 55 does not extend the increase in the sales tax.

- Alternate revenue sources generated by the EPA and dissolution of Redevelopment Agencies (RDAs) are less reliable that general fund revenues. The California Community College funding system is based on estimated revenues, including student fees and property taxes. The lack of stability in the source of funding makes it difficult to budget, as colleges are not guaranteed that predicted revenues will materialize at the end of the fiscal year. If revenues do not come in at the level expected, the colleges are left with shortfalls in their budgets, which in turn requires colleges to make painful reductions to course offerings or services that affect students.

- Recently passed legislation, AB 1469 (2014), set in place a plan to close the $74 billion gap in unfunded California State Teachers' Retirement System (CalSTRS) liabilities over the next 30 years. The funding plan stipulates that the costs will be shared, with the State paying approximately 20 percent toward the amount unfunded, instructors paying 10 percent, and the remaining 70 percent is the responsibility of community colleges. Under AB 1469, the CalSTRS employer contribution rate for fiscal year 2015-2016 was 10.73 percent, an increase from 8.88 percent in fiscal year 2014-2015. The additional cost to districts from fiscal year 2015-2016 through fiscal year 2019-2020 will grow by an additional 1.85 percent annually. This represents an unfunded expense of the District's General Fund and will significantly impact our budget.

- District classified employees participate in the State of California Public Employees' Retirement System (CalPERS). The CalPERS Board has set to increase the contribution rates to account for longer retiree life spans, salary increases, and the growing pool of State and school district employees. CalPERS is set to increase incrementally from 11.85 percent in fiscal year 2015-2016 to 19.8 percent in fiscal year 2020-2021.

- The District will be issuing Series D bonds for approximately $139 million within the next two years to continue its capital improvement plans.

- During the stability/restoration period, Palomar will comprehensively focus on generating enrollment growth. Outreach and marketing efforts are well underway. The District has been collaborating with K-12 and business partners to develop education programs in high-demand fields to include expansions of concurrent and dual enrollment opportunities for high school students and summer academies that offer students hands-on experience working in areas of career technical education. Creating strong future enrollment and implementing enrollment management strategies remain the District's top priority.

Other than the items above, the District is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. Prudent fiscal management practices will remain in place to ensure the District has adequate reserves to sustain operations and ensure student success. A District-wide minimum reserve of 7 percent plus other contingency reserves yield a $17.8 million budgeted ending fund balance for fiscal year 2016-2017. Management will maintain a close watch over resources to maintain the ability to react to internal and external issues if and when they arise to ensure the fiscal stability of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Palomar Community College District, 1140 West Mission Road, San Marcos, California, 92069.

PALOMAR COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2016

ASSETS	
Current Assets	
Cash and cash equivalents	$ 2,234,014
Investments - unrestricted	38,806,074
Investments - restricted	290,300,745
Accounts receivable	9,818,339
Student loans receivable, net	2,844,801
Due from fiduciary funds	14,583
Prepaid expenses	463,051
Total Current Assets	344,481,607
Noncurrent Assets	
Nondepreciable capital assets	124,390,351
Depreciable capital assets, net of depreciation	236,201,052
Total Noncurrent Assets	360,591,403
TOTAL ASSETS	705,073,010
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	10,028,487
Deferred outflows of resources related to pensions	21,348,762
Total Deferred Outflows of Resources	31,377,249
LIABILITIES	
Current Liabilities	
Accounts payable	11,447,161
Accrued interest payable	7,586,868
Unearned revenue	5,171,526
General obligation payable - current portion	11,020,000
Lease revenue bond payable - current portion	545,000
PARS supplemental early retirement obligation - current portion	1,269,126
Total Current Liabilities	37,039,681
Noncurrent Liabilities	
Compensated absences liability	2,852,534
Load banking	515,791
General obligation bonds - noncurrent portion	584,934,741
Lease revenue bond payable - noncurrent portion	3,280,000
PARS supplemental early retirement obligation - noncurrent portion	3,807,378
Net other postemployment benefits (OPEB) obligation	2,565,567
Aggregate net pension obligation	99,762,027
Total Noncurrent Liabilities	697,718,038
TOTAL LIABILITIES	734,757,719
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	22,734,161
NET POSITION	
Net investment in capital assets, net of related debt	132,582
Restricted for:	
Debt service	25,305,392
Capital projects	22,784,141
Educational programs	9,090,977
Unrestricted	(78,354,713)
TOTAL NET POSITION	$ (21,041,621)

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

PALOMAR COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2016

OPERATING REVENUES	
Student Tuition and Fees	$ 25,614,386
Less: Scholarship discount and allowance	(10,655,601)
Net tuition and fees	14,958,785
Other Operating Revenues	112,551
TOTAL OPERATING REVENUES	15,071,336
OPERATING EXPENSES	
Salaries	79,689,522
Employee benefits	31,949,615
Supplies, materials, and other operating expenses and services	28,316,009
Student financial aid	20,293,436
Equipment, maintenance, and repairs	11,052,490
Depreciation	6,657,477
TOTAL OPERATING EXPENSES	177,958,549
OPERATING LOSS	(162,887,213)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	31,780,630
Local property taxes, levied for general purposes	66,475,944
Taxes levied for other specific purposes	21,046,798
Federal grants	25,196,306
State grants	20,386,844
State taxes and other revenues	4,953,267
Investment income	1,686,423
Interest expense on capital related debt	(22,037,932)
Investment income on capital asset-related debt, net	191,378
Transfer from fiduciary funds	207,661
Transfer to fiduciary funds	(32,000)
Other nonoperating revenue	1,191,015
TOTAL NONOPERATING REVENUES (EXPENSES)	151,046,334
LOSS BEFORE OTHER REVENUES	(11,840,879)
State revenues, capital	11,245,527
Local revenues, capital	4,311,768
TOTAL OTHER REVENUES	15,557,295
CHANGE IN NET POSITION	3,716,416
NET POSITION, BEGINNING OF YEAR	(24,758,037)
NET POSITION, END OF YEAR	$ (21,041,621)

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

PALOMAR COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 14,852,524
Payments to or on behalf of employees	(113,421,721)
Payments to vendors for supplies and services	(42,410,269)
Payments to students for scholarships and grants	(20,293,436)
Net Cash Flows From Operating Activities	(161,272,902)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	31,780,630
Property taxes - nondebt related	66,475,944
Grant and contracts	45,768,477
State taxes and other revenues	1,808,485
Other nonoperating	1,299,008
Net Cash Flows From Noncapital Financing Activities	147,132,544
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(27,741,181)
State revenue, capital projects	11,245,527
Local revenue, capital projects	4,311,768
Property taxes - related to capital debt	21,046,798
Principal paid on capital debt	(7,320,556)
Interest paid on capital debt	(6,723,175)
Interest received on capital asset-related debt	191,378
Net Cash Flows From Capital Financing Activities	(4,989,441)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	1,686,423
NET CHANGE IN CASH AND CASH EQUIVALENTS	(17,443,376)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	348,784,209
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 331,340,833

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

PALOMAR COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (162,887,213)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	6,657,477
Changes in Assets, Liabilities, Deferred Inflows and Deferred Outflows of Resources:	
Receivables	(1,913,726)
Prepaid expenses	(275,734)
Accounts payable and accrued liabilities	(4,556,104)
Unearned revenue	1,694,914
Aggregate net pension obligation	15,350,964
Net OPEB obligation	976,878
PARS supplemental early retirement obligation	(1,269,126)
Load banking	(6,557)
Compensated absences	212,403
Change in deferred outflows related to pensions	(14,158,514)
Change in deferred inflows related to pensions	(1,098,564)
Total Adjustments	1,614,311
Net Cash Flows From Operating Activities	$ (161,272,902)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 2,234,014
Cash in county treasury	329,106,819
Total Cash and Cash Equivalents	$ 331,340,833
NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 2,912,569

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

PALOMAR COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	Trust
ASSETS	
Cash and cash equivalents	$ 146,235
Investments	1,725,870
Accounts receivable	2,396
Student loan receivable, net	51,396
Total Assets	1,925,897
LIABILITIES	
Accounts payable	295
Due to primary government	14,583
Unearned revenue	138,379
Total Liabilities	153,257
NET POSITION	
Unreserved	$ 1,772,640

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

PALOMAR COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Trust
ADDITIONS	
Local revenues	$ 995,906
DEDUCTIONS	
Classified salaries	585
Services and operating expenditures	75,400
Total Deductions	75,985
OTHER FINANCING SOURCES (USES)	
Transfer from primary government	32,000
Transfer to primary government	(207,661)
Other uses	(723,790)
Total Other Financing Sources (Uses)	(899,451)
Change in Net Position	20,470
Net Position - Beginning	1,752,170
Net Position - Ending	$ 1,772,640

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

NOTE 1 - ORGANIZATION

Palomar Community College District (the District) was established in January 1946 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college and five education sites located within North San Diego County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled or has the ability to otherwise access are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District. The District identified no component units. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, grants, entitlements, and donations. Federal and State grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants. Property tax revenue is recognized in the fiscal year in which they are received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated.

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

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

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

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

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2016, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Investments

Restricted investments arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted investments also represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff; the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $1,938,032 for the year ended June 30, 2016.

Prepaid Expenses

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

Capital Assets and Depreciation

Capital assets are recorded at cost at the date of acquisition or fair value at the date of gift. The District's capitalization policy includes all items with a unit cost of $5,000 (for equipment) and an estimated useful life of greater than one year. Buildings, renovations to buildings, and infrastructure, that cost more than $150,000, and land improvements that cost more than $100,000, and significantly increase the value, or extend the useful life of the structure, are capitalized. Routine repair and maintenance costs are charged to operating expenses in the year in which the expense is incurred. Depreciation of equipment and vehicles, facilities, and other physical properties is provided using the straight-line method over the estimated useful lives of the respective assets, or in the case of assets acquired under capital leases, the shorter of the lease term or useful life. Costs for construction in progress are capitalized when incurred.

The following estimated useful lives are used to compute depreciation:

Land improvements	50 years
Buildings and improvements	50 years
Machinery and equipment	5-20 years

Debt Issuance Costs, Premiums, and Discounts

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Unearned Revenue

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

Noncurrent Liabilities

Noncurrent liabilities include general obligation and lease revenue bonds, compensated absences, load banking, PARS supplemental early retirement, OPEB obligation, and the aggregate net pension obligation with maturities greater than one year.

Compensated Absences

Compensated absences are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year end as liabilities of the District. The District also participates in and accrues "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the entity-wide financial statements.

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 for eligible employees when they retire.

Net Position

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report $57,180,510 of restricted net position.

State Apportionments

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

Property Taxes

Property taxes are assessed and levied by the County of San Diego on the fourth Monday of September of each year, and they become an enforceable lien on real property on January 1 of the same year. Secured taxes are payable to the District in two installments, on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. Tax remittances are paid net of a County administrative charge.

The District has reported property tax revenue only for taxes levied and due within the fiscal year. The District participates in the San Diego County Teeter Plan and is paid all current year taxes in the year levied. The Teeter Plan allows the County to follow the accrual method of accounting to allocate property tax revenues based on the total amount of property taxes billed, but not yet collected. A receivable has not been recognized in the basic financial statements for property taxes due to the fact that any receivable would be offset by a payable to the State for State apportionment purposes.

The voters of the District passed a General Obligation Bond in November 2006 for the acquisition, construction, and rehabilitation of facilities. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected by the San Diego County and remitted to the District.

Scholarships, Discounts, and Allowances

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

Federal Financial Assistance Programs

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

Estimates

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

Interfund Activity

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

Change in Accounting Principles

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

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

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of State and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes.

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

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

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

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

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

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

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

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

New Accounting Pronouncements

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

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

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

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

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

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

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

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

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

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

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

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

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

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

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

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

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

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

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

General Authorizations

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

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

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

Primary government	$ 331,340,833
Fiduciary funds	1,872,105
Total Deposits and Investments	$ 333,212,938

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

Cash on hand and in banks	$ 2,359,287
Cash in revolving	20,962
Investments	330,832,689
Total Deposits and Investments	$ 333,212,938

Interest Rate Risk

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

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Weighted Average to Maturity
County of San Diego Investment Pool	$ 330,898,890	310

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County of San Diego Investment Pool is not required to be rated. However, as of year end, the County of San Diego Investment Pool reflected an AAAf/S1 rating by Standard and Poor's Rating Service.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District's bank balance of $722,938 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - FAIR VALUE MEASUREMENTS

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

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

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

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

Uncategorized - Investments in the North San Diego County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

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

Investment Type	Fair Value	Uncategorized
County of San Diego Investment Pool	$ 330,898,890	$ 330,898,890

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

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 1,388,807	$ -
State Government		
Apportionment	69,598	-
Categorical aid	5,060,059	-
Lottery	2,056,292	-
Other State sources	56,260	-
Local Sources		
Property taxes	280,524	-
Interest	476,025	2,396
Other local sources	430,774	-
Total	$ 9,818,339	$ 2,396
Student receivables	$ 4,782,833	$ 51,396
Less: Allowance for doubtful accounts	(1,938,032)	-
Total	$ 2,844,801	$ 51,396

NOTE 6 - CAPITAL ASSETS

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 63,014,087	$ -	$ -	$ 63,014,087
Construction in progress	68,140,489	25,689,780	32,533,055	61,297,214
Works of art	79,050	-	-	79,050
Total Capital Assets Not Being Depreciated	131,233,626	25,689,780	32,533,055	124,390,351
Capital Assets Being Depreciated				
Land improvements	18,523,454	16,131,833	-	34,655,287
Buildings and improvements	227,113,256	16,401,222	-	243,514,478
Furniture and equipment	20,318,937	772,369	603,990	20,487,316
Total Capital Assets Being Depreciated	265,955,647	33,305,424	603,990	298,657,081
Total Capital Assets	397,189,273	58,995,204	33,137,045	423,047,432
Less Accumulated Depreciation				
Land improvements	12,442,280	1,059,565	-	13,501,845
Buildings and improvements	27,402,199	4,774,932	-	32,177,131
Furniture and equipment	16,553,282	822,980	599,209	16,777,053
Total Accumulated Depreciation	56,397,761	6,657,477	599,209	62,456,029
Net Capital Assets	$ 340,791,512	$ 52,337,727	$ 32,537,836	$ 360,591,403

Depreciation expense for the year was $6,657,477.

Interest expense on capital related debt for the year ended June 30, 2016, was $22,037,932. Of this amount, $880,332 was capitalized.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	$ 3,164,723	$ -
Apportionment	155,861	-
Construction	5,447,602	-
State categoricals	22,521	-
Federal categoricals	205	-
Other	2,656,249	298
Total	$ 11,447,161	$ 298

NOTE 8 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government	Fiduciary Funds
State categorical aid	$ 106,814	$ -
Enrollment fees	5,036,270	138,379
Other local	28,442	-
Total	$ 5,171,526	$ 138,379

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2016, there was $14,583 owed between the primary government and the fiduciary funds.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2016 fiscal year, the amount transferred to the primary government from the fiduciary fund amounted to $207,661. The amount transferred to the fiduciary funds from the primary government amounted to $32,000.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds Payable					
General obligation bonds	$ 595,248,207	$ 7,502,090	$ 6,795,556	$ 595,954,741	$ 11,020,000
Lease revenue bonds	4,350,000	-	525,000	3,825,000	545,000
Total Bonds	599,598,207	7,502,090	7,320,556	599,779,741	11,565,000
Other Obligations					
Compensated absences	2,640,131	212,403	-	2,852,534	-
Load banking	522,348	153,684	160,241	515,791	-
PARS supplemental early retirement obligation	6,345,630	-	1,269,126	5,076,504	1,269,126
Net OPEB obligation	1,588,689	6,839,184	5,862,306	2,565,567	-
Aggregate net pension obligation	84,411,063	15,350,964	-	99,762,027	-
Total Other Liabilities	95,507,861	22,556,235	7,291,673	110,772,423	1,269,126
Total Long-Term Obligations	$ 695,106,068	$ 30,058,325	$ 14,612,229	$ 710,552,164	$ 12,834,126

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The lease revenue bonds will be paid by the other debt service fund. The compensated absences and load banking liability will be paid by the fund for which the employee worked. The pay-as-you-go portion of the net OPEB obligation will be paid by the Internal Service Fund. The PARS supplemental early retirement obligation will be paid by the unrestricted general fund. Pension expense related to the aggregate net pension obligation will be paid by the fund for which the employee works. See Note 13 for further details of the aggregate net pension obligation.

Bonded Debt

On November 7, 2006 the voters of the District approved the issuance of $694,000,000 general obligation bonds to be used to finance the acquisition, construction, and modernization of certain property and District facilities.

General Obligation Bonds, Election 2006, Series A

On April 17, 2007 the District issued General Obligation Bonds, Election 2006, Series A in the aggregate principal amount of $160,000,000. Bonds were issued with a final maturity date of May 1, 2032, and interest rates ranging from 4.00 percent to 5.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on May 1 and November 1 of each year. The outstanding principal balance of these bonds at June 30, 2016, was $4,160,000.

General Obligation Bonds, Election 2006, Series B

On October 28, 2010 the District issued General Obligation Bonds, Election 2006, Series B in the aggregate principal amount of $91,498,901. The Bonds consisted of $1,500,000 in Current Interest Serial Bonds, $27,883,490 in Capital Appreciation Serial Bonds, and $62,115,411 in Convertible Capital Appreciation Term Bonds. Bonds were issued with a final maturity date of August 1, 2045, and interest rates ranging from 2.36 percent to 6.72 percent, depending on the maturity of the related bonds. Interest is payable semiannually on August 1 and February 1 of each year. The outstanding principal balance of these bonds at June 30, 2016, was $126,205,143.

General Obligation Bonds, Election 2006, Series B-1

On October 28, 2010 the District issued General Obligation Bonds, Election 2006, Series B-1 (federally taxable) in the aggregate principal amount of $83,500,000. Bonds were issued with a final maturity date of August 1, 2045, with a current interest 7.94 percent. Interest is payable semiannually on August 1 and February 1 of each year. The outstanding principal balance of these bonds at June 30, 2016, was $83,500,000.

2015 General Obligation Refunding Bonds

On January 13, 2015 the District issued 2015 General Obligation Refunding Bonds in the aggregate principal amount of $115,675,000. Bonds were issued with a final maturity date of May 1, 2032, and interest rates ranging from 2.00 percent to 5.00 percent, depending on the maturity of the related bonds. The Bonds were issued to advance refund and defease a portion of the District's obligation related to the General obligation Bonds, 2006 Series A. Interest is payable semiannually on May 1 and November 1 of each year. The outstanding principal balance of these bonds at June 30, 2016, was $114,100,000.

General Obligation Bonds, Election 2006, Series C

On March 17, 2015 the District issued General Obligation Bonds, Election 2006, Series C in the aggregate principal amount of $220,000,000. Bonds were issued with a final maturity date of August 1, 2044, and interest rates ranging from 4.00 percent to 5.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on August 1 and February 1 of each year. The outstanding principal balance of these bonds at June 30, 2016, was $220,000,000.

Debt Maturity

General Obligation Bonds

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2015	Accretion	Redeemed	Bonds Outstanding June 30, 2016
2006 A	4/17/2007	5/1/2032	4.00%-5.00%	$ 160,000,000	$ 7,925,000	$ -	$ 3,765,000	$ 4,160,000
2006 B	10/28/2010	8/1/2045	2.36%-6.72%	91,498,901	118,983,053	7,502,090	280,000	126,205,143
2006 B-1	10/28/2010	8/1/2045	7.94%	83,500,000	83,500,000	-	-	83,500,000
2006 C	3/17/2015	8/1/2044	4.00%-5.00%	220,000,000	220,000,000	-	-	220,000,000
	Subtotal Election 2006				$ 430,408,053	$ 7,502,090	$ 4,045,000	$ 433,865,143
2015 Refunding	1/13/2015	5/1/2032	2.00%-5.00%	115,675,000	$ 114,100,000	$ -	$ -	$ 114,100,000
				Premium on Debt	50,740,154	-	2,750,556	47,989,598
	Total General Obligation Bonds				$ 595,248,207	$ 7,502,090	$ 6,795,556	$ 595,954,741

The General Obligation Bonds, Election 2006, Series A bonds mature through 2017 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ 4,160,000	$ 208,000	$ 4,368,000

The General Obligation Bonds, Election 2006, Series B bonds mature through 2046 as follows:

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Current Interest to Maturity	Total
2017	$ 424,122	$ 5,878	$ -	$ 430,000
2018	838,702	41,298	-	880,000
2019	1,071,036	103,964	-	1,175,000
2020	1,364,092	210,908	-	1,575,000
2021	1,453,762	326,238	-	1,780,000
2022-2026	12,897,562	8,212,438	-	21,110,000
2027-2031	5,983,898	7,016,102	30,290,100	43,290,100
2032-2036	18,228,754	35,011,246	54,837,038	108,077,038
2037-2041	59,158,088	48,191,912	39,169,018	146,519,018
2042-2046	24,785,127	34,884,872	8,315,550	67,985,549
Total	$ 126,205,143	$ 134,004,856	$ 132,611,706	$ 392,821,705

The General Obligation Bonds, Election 2006, Series B-1 bonds mature through 2046 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ -	$ 6,006,990	$ 6,006,990
2018	-	6,006,990	6,006,990
2019	-	6,006,990	6,006,990
2020	-	6,006,990	6,006,990
2021	-	6,006,990	6,006,990
2022-2026	-	30,034,950	30,034,950
2027-2031	-	30,034,950	30,034,950
2032-2036	-	30,034,950	30,034,950
2037-2041	-	30,034,950	30,034,950
2042-2046	83,500,000	21,887,745	105,387,745
Total	$ 83,500,000	$ 172,062,495	$ 255,562,495

The General Obligation Bonds, Election 2006, Series C bonds mature through 2045 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ 6,430,000	$ 9,819,150	$ 16,249,150
2018	7,105,000	9,648,275	16,753,275
2019	1,060,000	9,525,800	10,585,800
2020	180,000	9,506,300	9,686,300
2021	735,000	9,488,000	10,223,000
2022-2026	5,305,000	46,905,375	52,210,375
2027-2031	11,120,000	44,890,750	56,010,750
2032-2036	21,640,000	40,994,975	62,634,975
2037-2041	60,625,000	33,959,100	94,584,100
2042-2045	105,800,000	10,582,750	116,382,750
Total	$ 220,000,000	$ 225,320,475	$ 445,320,475

The 2015 General Obligation Refunding Bonds mature through 2032 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ -	$ 5,665,900	$ 5,665,900
2018	3,910,000	5,665,900	9,575,900
2019	4,265,000	5,509,500	9,774,500
2020	4,715,000	5,296,250	10,011,250
2021	5,170,000	5,060,500	10,230,500
2022-2026	33,725,000	20,918,500	54,643,500
2027-2031	49,945,000	10,956,000	60,901,000
2032	12,370,000	618,500	12,988,500
Total	$ 114,100,000	$ 59,691,050	$ 173,791,050

Lease Revenue Bonds 2001 Series

The District issued Lease Revenue Bonds Series 2001 on July 18, 2001, in the amount of $3,095,000 to be used to remodel and expand the Student Center. Interest rates on the bonds range from 5.0 percent to 5.625 percent depending on the maturity of the related bonds. The bonds will mature on April 1, 2031. The source of revenue to pay off the debt will come from the Student Center Fee Fund. Future principal and interest payments are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ 95,000	$ 109,600	$ 204,600
2018	100,000	104,850	204,850
2019	105,000	99,850	204,850
2020	110,000	94,600	204,600
2021	115,000	89,100	204,100
2022-2026	680,000	344,469	1,024,469
2027-2031	880,000	139,912	1,019,912
Total	$ 2,085,000	$ 982,381	$ 3,067,381

Lease Revenue Bonds 2010B Series

The District issued Lease Revenue Refunding Bonds, Series 2010B in the amount of $3,780,000 on September 16, 2010. The proceeds were used to refund the District's Certificates of Participation (COPs). The principal amount paid was $4,320,000 with the remaining proceeds deposited in an escrow account for future repayments. The refunding was considered an in-substance defeasance and, therefore, amounts held in escrow are not reported as District assets. Interest rates on the bonds range from 3.0 percent to 4.0 percent for the length of issuance. The bonds will mature on October 1, 2019. The source of revenue to pay off the debt will come from the General Fund. Future principal and interest payments are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ 450,000	$ 45,450	$ 495,450
2018	460,000	31,800	491,800
2019	475,000	17,775	492,775
2020	355,000	5,325	360,325
Total	$ 1,740,000	$ 100,350	$ 1,840,350

PARS Supplemental Early Retirement Obligation

In June 2015, the District has entered into a PARS Supplemental Early Retirement Plan for employees retiring as of June 30, 2015, and met certain eligibility requirements. The District will pay the liability over five year periods per the agreement as follows:

Fiscal Year	Payment
2017	$ 1,269,126
2018	1,269,126
2019	1,269,126
2020	1,269,126
Total	$ 5,076,504

Compensated Absences

The compensated absences liability outstanding at June 30, 2016, was $2,852,534.

Load Banking

The load banking liability outstanding at June 30, 2016, was $515,791.

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2016, was $6,845,177, and contributions made by the District during the year were $5,862,306. Interest on the net OPEB obligation and adjustments to the annual required contribution were $26,362 and $(32,355), respectively, which resulted in an increase to the net OPEB obligation of $976,878. As of June 30, 2016, the net OPEB obligation was $2,565,567. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Aggregate Net Pension Obligation

The aggregate net pension obligation outstanding at June 30, 2016, was $99,762,027. See Note 13 for additional information regarding the aggregate net pension obligation.

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

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

Plan Description

The Plan is a single-employer defined benefit health care plan administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 681 active participants and 446 retirees at June 30, 2016.

Contribution Information

The contribution requirements are established and may be amended by the District and the District's bargaining units. The Plan is currently funded on a projected pay-as-you-go basis. For fiscal year 2015-2016, the District contributed $5,862,306, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 6,845,177
Adjustment for amortization of unfunded liability	26,362
Change in OPEB trusts assets	(32,355)
Annual OPEB cost (expense)	6,839,184
Contributions made	(5,862,306)
Increase in net OPEB obligation	976,878
Net OPEB obligation, beginning of year	1,588,689
Net OPEB obligation, end of year	$ 2,565,567

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB (Asset)/Obligation
2014	$ 5,940,403	$ 5,304,245	89%	$ (14,760)
2015	6,743,920	5,140,471	76%	1,588,689
2016	6,839,184	5,862,306	86%	2,565,567

Funding Status and Funding Progress

Actuarial Accrued Liability (AAL)	$	90,841,984
Less Actuarial Value of Plan Assets		3,950,994
Unfunded Actuarial Accrued Liability (UAAL)	$	86,890,990
Funded Ratio (Actuarial Value of Plan Assets/AAL)		4.35%
Covered Payroll		55,493,128
UAAL as Percentage of Covered Payroll		156.58%

The above noted actuarial accrued liability was based on the August 1, 2014, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the August 1, 2014, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a four percent investment rate of return, based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. The UAAL is being amortized at a level dollar method. The remaining amortization period is 23 years. The actuarial value of assets was $3,950,994 as of June 30, 2016.

NOTE 12 - RISK MANAGEMENT

Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts and liability; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The District obtains coverage for these risks as a member of various joint powers authorities or through the purchase of coverage from a risk retention group. The District uses Schools Association for Excess Risk (SAFER) for excess property limits of $250,000,000 per occurrence, with no aggregate and a $5,000 member retained limit. Then, their excess liability has the first $1,000,000 worth of coverage through the Statewide Association of Community Colleges (SWACC) and $25,000,000 excess coverage of $1,000,000 is in SAFER with a $50,000 Member Retained Limit.

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2016, the District contracted with SWACC Joint Powers Authority (JPA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2015-2016, the District participated in the Protected Insurance Programs for Schools (PIPS) JPA, an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Insurance Program / Company Name	Type of Coverage	Limits
Protected Insurance Program for Schools (PIPS)	Workers' Compensation	$ 150,000,000
Schools Association For Excess Risk (SAFER)	Excess Workers' Compensation	$ 25,000,000
Statewide Association of Community Colleges (SWACC)	Property and Liability	$ 250,000,000

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2016, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 61,617,589	$ 9,708,639	$ 10,907,368	$ 4,457,563
CalPERS	38,144,438	11,640,123	11,826,793	3,318,676
Total	$ 99,762,027	$ 21,348,762	$ 22,734,161	$ 7,776,239

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	8.88%
Required State contribution rate	7.12589%	7.12589%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above, and the District's total contributions were $4,464,345.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	$ 61,617,589
State's proportionate share of net pension liability associated with the District	32,588,912
Total	$ 94,206,501

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2015 and June 30, 2014, was 0.0915 percent and 0.0909 percent, respectively, resulting in a net increase in the proportionate share of 0.0006 percent.

For the year ended June 30, 2016, the District recognized pension expense of $4,457,563. In addition, the District recognized pension expense and revenue of $2,524,377 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:

	Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 4,464,345	$ -
Net change in proportionate share of net pension liability	389,406	-
Difference between projected and actual earnings on pension plan investments	4,854,888	9,877,723
Differences between expected and actual experience in the measurement of the total pension liability	-	1,029,645
Total	$ 9,708,639	$ 10,907,368

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (2,078,852)
2018	(2,078,852)
2019	(2,078,852)
2020	1,213,721
Total	$ (5,022,835)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (106,706)
2018	(106,706)
2019	(106,706)
2020	(106,706)
2021	(106,706)
Thereafter	(106,709)
Total	$ (640,239)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on the Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. 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:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 93,037,764
Current discount rate (7.60%)	61,617,589
1% increase (8.60%)	35,504,889

California Public Employees' Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above, and the total District contributions were $3,149,867.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $38,144,438. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2015 and June 30, 2014, was 0.2588 percent and 0.2756 percent, respectively, resulting in a net decrease in the proportionate share of 0.0168 percent.

For the year ended June 30, 2016, the District recognized pension expense of $3,318,676. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,149,867	$ -
Net change in proportionate share of net pension liability	45,427	1,912,177
Difference between projected and actual earnings on pension plan investments	6,264,818	7,570,916
Differences between expected and actual experience in the measurement of the total pension liability	2,180,011	-
Changes of assumptions	-	2,343,700
Total	$ 11,640,123	$ 11,826,793

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (957,434)
2018	(957,434)
2019	(957,434)
2020	1,566,204
Total	$ (1,306,098)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the EARSL of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (693,102)
2018	(963,102)
2019	(644,235)
Total	$ (2,300,439)

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.65%)	$ 62,083,250
Current discount rate (7.65%)	38,144,438
1% increase (8.65%)	18,237,715

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2016, 2015, and 2014, which amounted to $2,912,569, $2,396,838, and $2,036,267, respectively, (7.12589 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the years ended June 30, 2016, 2015, and 2014. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District participates in five joint powers agreement (JPA) entities: the San Diego County Schools Fringe Benefits Consortium (SDCSFBC); the Statewide Association of Community Colleges (SWACC); the Schools Association for Excess Risk (SAFER); the Statewide Educational Wrap-Up Program (SEWUP); and the Community College League's Retiree Health Benefit JPA (CCLC). The relationship between the District and the JPAs is such that none of the JPAs are a component unit of the District for financial reporting purposes, as explained below.

The San Diego County Schools Fringe Benefits Consortium (SDCSFBC) provides employee fringe benefits to various school districts and community college districts throughout San Diego County. The San Diego County Schools Fringe Benefits Consortium's governing board is made up of one representative from each member district.
The Statewide Association of Community Colleges (SWACC) provides property and liability coverage to various community college districts throughout California. SWACC is governed by a board consisting of one representative from each member district.

The Schools Association for Excess Risk (SAFER) arranges for and provides a self-funded or additional insurance for excess liability coverage to various school districts and community college districts throughout California.

The Statewide Educational Wrap-Up Program (SEWUP) is a consolidated construction insurance program covering the job-site risks of: District as Owner, Construction Manager, General Contractor, contractors and sub-contractors of all tiers. Membership is comprised of 400 California school and community college districts. Premiums are determined for each construction project or projects.

The District joined the Community College League of California's (CCLC) Retiree Health Benefit JPA Program in September 2006. The CCLC Retiree Health Benefit JPA was created to assist districts is responding to the GASB Statement No. 45 accounting standards, which require districts to place funds in an irrevocable trust or acknowledge, in their annual financial statements, their unfunded liability.

Financial information for CCLC is not readily available.

Separate financial statements for each JPA may be obtained from the respective entity.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

Financial Condition

The District entered the stabilization phase in fiscal year 2016. At June 30, 2016, the funding formula included funding of 3,022.08 FTES ($14,294,428) which has not yet been restored. The State provides for three years of restoration, which will end on June 30, 2019.

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Expenditures under leases for the year ended June 30, 2016, amount to $348,961. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2017	$ 371,135
2018	372,255
2019	353,675
2020	347,265
2021	353,329
Total	$ 1,797,659

Construction Commitments

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

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Landscape Improvements/Arboretum	$ 150,758	3/15/2017
Parking Improvements	17,404	1/15/2018
LL Building - Student Services Center	111,335	3/15/2020
	$ 279,497	

REQUIRED SUPPLEMENTARY INFORMATION

PALOMAR COMMUNITY COLLEGE DISTRICT

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Method *Used (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
August 1, 2010	$ -	$ 78,499,867	$ 78,499,867	0.00%	$ 53,321,972	147%
August 1, 2012	1,950,000	84,229,998	82,279,998	2.32%	56,569,280	145%
August 1, 2014	3,950,994	90,841,984	86,890,990	4.35%	55,493,128	157%

* Entry age normal

See accompanying note to required supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

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

	2016	2015
CalSTRS		
District's proportion of the net pension liability	0.0915%	0.0909%
District's proportionate share of the net pension liability	$ 61,617,589	$ 53,119,316
State's proportionate share of the net pension liability associated with the District	32,588,912	32,075,736
Total	$ 94,206,501	$ 85,195,052
District's covered - employee payroll	$ 38,026,419	$ 40,938,175
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	162.04%	129.75%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
District's proportion of the net pension liability	0.2588%	0.2756%
District's proportionate share of the net pension liability	$ 38,144,438	$ 31,291,747
District's covered - employee payroll	$ 31,818,546	$ 28,936,290
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	119.88%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

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

See accompanying note to required supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

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

	2016	2015
CalSTRS		
Contractually required contribution	$ 4,464,345	$ 3,376,746
Contributions in relation to the contractually required contribution	(4,464,345)	(3,376,746)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 41,606,198	$ 38,026,419
Contributions as a percentage of covered - employee payroll	10.73%	8.88%
CalPERS		
Contractually required contribution	$ 3,149,867	$ 3,745,361
Contributions in relation to the contractually required contribution	(3,149,867)	(3,745,361)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 26,587,887	$ 31,818,546
Contributions as a percentage of covered - employee payroll	11.847%	11.771%

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

See accompanying note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

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

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

Schedule of District Contributions

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

Changes in Benefit Terms

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

Changes in Assumptions

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

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2016

Palomar Community College District was established in January 1946 and is comprised of an area of approximately 2,555 square miles located in North San Diego County. There were no changes in the boundaries of the District during the current year. The District is accredited by the Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Mark R. Evilsizer, M.A.	President	2018
Nancy Ann Hensch, B.A.	Vice President	2016
Nancy C. Chadwick, M.S.W., M.P.A.	Secretary	2016
Paul P. McNamara, B.A.	Trustee	2018
John J. Halcón, Ph.D.	Trustee	2016
Malik Spence	Student Trustee	2016

ADMINISTRATION

Adrian Gonzales	Interim Superintendent/President
Daniel Sourbeer	Interim Assistant Superintendent/ Vice President, Instruction
Brian Stockert	Acting Assistant Superintendent/ Vice President, Student Services
Ronald E. Ballesteros-Perez	Assistant Superintendent/ Vice President, Administrative Services
Mike Popielski	Assistant Superintendent/ Vice President, Human Resource Services

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Pell Grant	84.063		$ 16,353,483
Federal Pell Administrative Allowance	84.063		10,575
Federal Work Study	84.033		272,104
Federal Work Study Administrative Allowance	84.033		33,729
Federal Supplemental Educational Opportunity Grant	84.007		405,477
Direct Student Loan	84.268		1,060,999
Total Student Financial Assistance Cluster			18,136,367
TRIO Cluster			
Palomar College North County Educational Opportunity Centers	84.066A		282,364
Student Support Services	84.042A		453,722
Upward Bound	84.047A		567,075
Talent Search	84.044A		286,522
Total TRIO Cluster			1,589,683
Strengthening the Palomar to CSUSM STEM Transfer Pathway	84.031S		317,026
Determined to Achieve: Successful Pathways to a STEM Degree	84.031C		1,154,727
Gear-Up	84.334A		3,112,240
Passed through from the California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA)	84.048	14-C01-039	604,221
CTE-Transitions	84.048A	[1]	45,119
Total U.S. Department of Education			24,959,383
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Educational Assistance	64.028		18,724
Total U.S. Department of Veterans Affairs			18,724
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child and Adult Care Food Program	10.558	[1]	49,469
Total U.S. Department of Agriculture			49,469

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016, CONTINUED

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
NATIONAL SCIENCE FOUNDATION			
Research and Development Cluster			
Passed through the Kentucky Community and Technical College System			
National GeoTech Center of Excellence	47.076	KCT-PS-618	$ 28,283
Passed through the University Auxiliary and Research Services Corporation Increasing Stem Talent (STEP)	47.076	UARSC-85774-CD	59,817
Total National Science Foundation			88,100
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through from the California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families	93.558	[1]	42,132
Passed through Yosemite Community College District			
Child Development Training Consortium	95.575	14-15-4489	27,115
Total U.S. Department of Health and Human Services			69,247
Total Federal Expenditures			$ 25,184,923 [2]

[1] Pass-Through Entity Identifying Number not available.

[2] The difference between the Schedule of Expenditures of Federal Awards and Federal revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position is due to differences of $11,383 related to revenue recognition principles in various programs.

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

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

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
Nursing Education 15/16	$ 75,437	$ -	$ 75,437
Nursing Education 14/15	-	71,683	71,683
Basic Skills 15/16	177,532	-	177,532
Basic Skills 14/15	-	131,644	131,644
Board Financials Assitance Program	460,496	-	460,496
Board Financials Assitance Program Augmentation	182,583	-	182,583
CalWorks	211,813	-	211,813
Cooperative Agencies Resources for Education (CARE)	131,593	-	131,593
Disabled Students Programs and Services (DSPS)	902,330	-	902,330
Deaf and Hard of Hearing (DHH)	105,738	-	105,738
Extended Opportunities, Programs and Services (EOPS)	1,321,518	-	1,321,518
Assessment, Remediation, Retention Nursing Grant	79,800	-	79,800
Student Success (Credit)	3,480,182	-	3,480,182
Student Success (Noncredit)	274,305	-	274,305
Student Success (Equity)	1,919,900	-	1,919,900
Full Time Student Success Grant	388,547	-	388,547
Access to Print and Electronic Info	15,048	-	15,048
TTIP - South	3,929,089	-	3,929,089
TTIP South - Foothill De Anza	170,541	-	170,541
TTIP South - Foothill De Anza II	1,976,278	-	1,976,278
Child and Adult Care Food Program	2,684	-	2,684
General Center Based CCTR	21,354	-	21,354
CSPP	436,762	-	436,762
Proposition 39	552,755	-	552,755
Total			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable (Payables)	Unearned Revenue	Total Revenue	Program Expenditures
$ 63,018	$ 6,167	$ -	$ 69,185	$ 69,185
71,683	-	-	71,683	71,683
177,532	-	106,814	70,718	70,718
131,644	-	-	131,644	131,644
460,496	-	-	460,496	460,496
182,583	-	-	182,583	182,583
211,813	(6,121)	-	205,692	205,692
131,593	205	-	131,798	131,798
902,330	(20)	-	902,310	902,310
105,738	-	-	105,738	105,738
1,321,518	(594)	-	1,320,924	1,321,087
79,800	(2,070)	-	77,730	77,730
3,480,182	-	-	3,480,182	2,529,015
274,305	-	-	274,305	291,231
1,919,900	-	-	1,919,900	225,245
388,547	-	-	388,547	338,791
13,660	-	-	13,660	13,660
-	3,302,897	-	3,302,897	3,302,897
181,750	(11,209)	-	170,541	170,541
-	1,197,627	-	1,197,627	1,197,627
2,276	408	-	2,684	2,684
21,354	-	-	21,354	21,354
436,762	-	-	436,762	436,762
-	552,755	-	552,755	552,755
$ 10,558,484	$ 5,040,045	$ 106,814	$ 15,491,715	$ 12,813,226

PALOMAR COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
FOR THE YEAR ENDED JUNE 30, 2016

CATEGORIES	*(Revised) Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2015 only)			
1. Noncredit**	108	-	108
2. Credit	105	-	105
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit**	8	-	8
2. Credit	175	-	175
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	10,744	-	10,744
(b) Daily Census Contact Hours	764	-	764
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	684	-	684
(b) Credit	707	-	707
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	2,657	-	2,657
(b) Daily Census Contact Hours	651	-	651
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	16,603	-	16,603
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	103	-	103
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	762	-	762
2. Credit	549	-	549
CCFS-320 Addendum			
CDCP Noncredit FTES	521	-	521
Centers FTES			
1. Noncredit**	255	-	255
2. Credit	1,142	-	1,142

* Annual report revised as of November 4, 2016.
** Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION FOR THE YEAR ENDED JUNE 30, 2016

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 19,625,144	$ -	$ 19,625,144	$ 19,625,144	$ -	$ 19,625,144
Other	1300	16,256,316	-	16,256,316	16,256,316	-	16,256,316
Total Instructional Salaries		35,881,460	-	35,881,460	35,881,460	-	35,881,460
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	7,953,205	-	7,953,205
Other	1400	-	-	-	794,553	-	794,553
Total Noninstructional Salaries		-	-	-	8,747,758	-	8,747,758
Total Academic Salaries		35,881,460	-	35,881,460	44,629,218	-	44,629,218
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	18,270,283	-	18,270,283
Other	2300	-	-	-	1,383,680	-	1,383,680
Total Noninstructional Salaries		-	-	-	19,653,963	-	19,653,963
Instructional Aides							
Regular Status	2200	1,281,444	-	1,281,444	1,281,444	-	1,281,444
Other	2400	527,371	-	527,371	527,371	-	527,371
Total Instructional Aides		1,808,815	-	1,808,815	1,808,815	-	1,808,815
Total Classified Salaries		1,808,815	-	1,808,815	21,462,778	-	21,462,778
Employee Benefits	3000	13,994,295	-	13,994,295	27,878,324	-	27,878,324
Supplies and Material	4000	-	-	-	936,419	-	936,419
Other Operating Expenses	5000	-	-	-	8,560,565	-	8,560,565
Equipment Replacement	6420	-	-	-	19,475	-	19,475
Total Expenditures Prior to Exclusions		51,684,570	-	51,684,570	103,486,779	-	103,486,779

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 461,582	$ -	$ 461,582	$ 461,582	$ -	$ 461,582
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	338,532	-	338,532
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	418,089	-	418,089
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 2,844,015	$ -	$ 2,844,015
Capital Outlay							
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		461,582	-	461,582	4,062,218	-	4,062,218
Total for ECS 84362, 50 Percent Law		$ 51,222,988	$ -	$ 51,222,988	$ 99,424,561	$ -	$ 99,424,561
Percent of CEE (Instructional Salary Cost/Total CEE)		51.52%		51.52%	100.00%		100.00%
50% of Current Expense of Education					$ 49,712,281		$ 49,712,281

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2016.

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

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

Activity Classification	Object Code			Unrestricted	
EPA Proceeds:	8630				$ 15,729,740
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 15,729,740	-	-	$ 15,729,740
Total Expenditures for EPA		$ 15,729,740	-	-	$ 15,729,740
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance:		
General Funds	$ 30,580,511	
Special Revenue Funds	363,010	
Capital Project Funds	252,076,574	
Debt Service Funds	32,892,260	
Internal Service Funds	11,946,778	
Fiduciary Funds	3,787	
Total Fund Balance		**$ 327,862,920**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	423,047,432	
Accumulated depreciation is	(62,456,029)	360,591,403
The District has refunded debt obligations. The difference between the amount that was sent to escrow agent for the payment of the old debt and the actual remaining debt obligations will be amortized as an adjustment to interest expense.		10,028,487
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis		7,614,212
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(7,586,868)
The net change in proportionate share of net pension obligation as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits.		(1,477,344)
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense		(6,328,933)
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		1,150,366
The changes of assumptions are not recognized as an expenditure under the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(2,343,700)

See accompanying note to supplementary information.

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION, CONTINUED
JUNE 30, 2016

Long-term obligations at year end consist of:		
Bonds payable	$ 595,954,741	
Lease revenue bonds	3,825,000	
OPEB obligation	2,565,567	
PARS supplemental early retirement obligation	5,076,504	
Compensated absences	2,852,534	
Load banking	515,791	
Aggregate net pension obligation	99,762,027	$ (710,552,164)
Total Net Position		**$ (21,041,621)**

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

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

Schedule of Expenditures of State Awards

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

Schedule of Workload Measures for State General Apportionment

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

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

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

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

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITOR'S REPORTS

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

Board of Trustees
Palomar Community College District
San Marcos, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of Palomar Community College District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 20, 2016.

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

San Diego, California
December 20, 2016

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

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

Board of Trustees
Palomar Community College District
San Marcos, California

Report on Compliance for Each Major Federal Program

We have audited Palomar Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2016. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Vavrinek, Trine, Day & Co. LLP

San Diego, California
December 20, 2016

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Palomar Community College District
San Marcos, California

Report on State Compliance

We have audited Palomar Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *Contracted District Audit Manual* issued in November 2015 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2016.

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 429	Student Success and Support Program (SSSP)
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

The District does not offer any Intersession Extension Programs; therefore, the compliance tests within this section are not applicable.

The District did expend any Proposition 1D State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

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

Vavrinek, Trine, Day & Co. LLP

San Diego, California
December 20, 2016

Schedule of Findings and Questioned Costs

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.063, 84.033, 84.007, 84.268	Student Financial Assistance Cluster
84.066A, 84.042A, 84.047A, 84.044A	Trio Cluster
84.334A	Gear-Up

Dollar threshold used to distinguish between Type A and Type B programs:	$ 755,548
Auditee qualified as low-risk auditee?	No

STATE AWARDS

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

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

None reported.

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

None reported.

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

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Finding

2015-001 Financial Reconciliation Process

Criteria or Specific Requirement

The accounting system used to record the financial affairs of any community college district shall be in accordance with the definitions, instructions, and procedures published in the California Community Colleges *Budget and Accounting Manual* (BAM). Colleges are also required to present their financial statements in accordance with generally accepted accounting principles (GAAP).

Condition

Significant Deficiency - Errors were made within the closing process of the District's financial records during the current fiscal year. Material adjustments and reclassifications were required to conform to the BAM. Errors and/or insufficient reconciliations were found in various accounts including, but not limited to:

- Federal and State Categorical Programs

  End of the year accrual entries to close Federal and State programs were not properly made. Adjustments were made to reflect deferred revenues and receivables related to the programs.

- Accounts Payable

  The District is not reconciling their accounts payable accounts including their payroll related liability accounts in a timely manner. Reconciliations were not prepared during the current fiscal year.

- Long-Term Obligations

  The District incorrectly recorded long-term obligations within their individual governmental funds. Only based on District analysis and estimation of the vacation used in the next fiscal year can the current portion of these liabilities be included in the governmental funds.

- Inter-Fund Activity

  Amounts owing between funds of the District were not appropriately monitored during the year and reconciled at year end.

Effect

Material adjustments to the general ledger were proposed as a result of the audit procedures. These adjustments were accepted by management to ensure the financial statements were presented fairly.

Cause

The oversight controls over the closing process were not operating effectively, resulting in adjustments and a material weakness.

Recommendation

The District needs to develop a closing procedure calendar at year end to ensure that all information is prepared, reviewed, and reconciled prior to the closing of the general ledger. All inter-fund activity accounts should be examined and investigated to determine the purpose of the inter-fund borrowings and the true amount owed to various funds.

Current Status

Implemented.

STRATEGIC PLAN 2019

Vision
Learning for Success

Mission
Our mission is to provide an engaging teaching and learning environment for students of diverse origins, experiences, needs, abilities, and goals. As a comprehensive community college, we support and encourage students who are pursuing transfer-readiness, general education, basic skills, career and technical training, aesthetic and cultural enrichment, and lifelong education.
We are committed to helping our students achieve the learning outcomes necessary to contribute as individuals and global citizens living responsibly, effectively, and creatively in an interdependent and ever-changing world.

Values
Palomar College is dedicated to empowering students to succeed and cultivating an appreciation of learning. Through ongoing planning and self-evaluation we strive for continual improvement in our endeavors. In creating the learning and cultural experiences that fulfill our mission and ensure the public's trust, we are guided by our core values of:

- **Excellence** in teaching, learning, and service
- **Integrity** as the foundation for all we do
- **Access** to our programs and services
- **Equity** and the fair treatment of all in our policies and procedures
- **Diversity** in learning environments, philosophies, cultures, beliefs, and people
- **Inclusiveness** of individual and collective viewpoints in collegial decision-making processes
- **Mutual respect** and **trust** through transparency, civility, and open communications
- **Creativity** and **innovation** in engaging students, faculty, staff, and administrators
- **Physical presence** and **participation** in the community

DRAFT GOAL AND OBJECTIVES

Goal 1: Implement instructional strategies that strengthen and connect teaching and learning across the college.

Objective 1.1: Reintroduce Campus Explorations, a campus-wide learning community, to promote interdisciplinary dialogue and instruction on a topic of importance in society.

Objective 1.2: Engage in a campus-wide examination of the college's interdisciplinary Institutional Learning Outcome: Knowledge of Human Cultures and the Physical and Natural World.

Objective 1.3: Using the results and discussions of the Institutional Learning Outcomes assessment project on Intercultural Competency, identify strategies, including professional development opportunities, to strengthen and promote cultural fluency across the college.

Goal 2: Strengthen efforts to improve outreach, persistence, and student success.

Objective 2.1: Identify and implement targeted recruitment strategies for college programs.

Objective 2.2: Establish clear educational pathways with integrated student support services.

Objective 2.3: Strengthen and implement strategies to facilitate student completion of basic skills coursework within their first 30 units.

Objective 2.4: Implement user-friendly technology tools that allow students to easily enroll, persist, and complete their studies.

Objective 2.5: To better meet the needs of internal and external stakeholders, revise and strengthen integrated program review and planning processes across the institution.

Objective 2.6: To address opportunity gaps among the college's diverse student body, strengthen existing programs focused on persistence and student success such as FYE, Summer Bridge, Learning Communities, Village Mentoring, and STEM Scholars.

Goal 3: Strengthen the college's message to our community.

Objective 3.1: Evaluate our current marketing and messaging strategies and implement an integrated communications plan that reflects Palomar's value and presence in the community.

Goal 4: ~~Maintain and support a diverse workforce.~~ Strengthen, promote, and support the college's diverse workforce through strategies focused on recruitment, hiring, and retention.

Objective 4.1: Identify and address areas with critical staffing needs in relation to achieving enrollment growth strategies.

Objective 4.2: Evaluate and improve recruiting, hiring, and professional development processes to increase diversity in hiring and ensure faculty and staff are prepared to serve the college's diverse student body and community.

Objective 4.3: Develop and implement a comprehensive Professional Development Plan for all staff.

Goal 5: Ensure the fiscal stability of the college and increase enrollments.

Objective 5.1: Increase course offerings in the southern portion of the district while maximizing enrollment on the main campus.

Objective 5.2: Increase course offering in the northern portion of the district while maximizing enrollment on the main campus.

Objective 5.3: Strengthen existing relationships (such as STEM scholars and concurrent enrollment) and establish new relationships with local high schools and universities through partnerships and programs that facilitate access and seamless transfer.

Objective 5.4: Taking into account that the college is in stability, develop an action plan to balance the budget such that ongoing expenditures align with ongoing revenue.

Objective 5.5: Develop and implement an enrollment management plan that enhances access and success, supports intentional scheduling, and is integrated with budgetary planning.

Objective 5.6: Explore alternative revenue streams that align with the college's mission such as international education and contract education.