

**COAST COMMUNITY COLLEGE DISTRICT**

**ORANGE COUNTY**

**REPORT ON  
AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
INCLUDING REPORTS ON COMPLIANCE  
June 30, 2015**



**COAST COMMUNITY COLLEGE DISTRICT**

**AUDIT REPORT**

**June 30, 2015**

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**COAST COMMUNITY COLLEGE DISTRICT**

**AUDIT REPORT**

**June 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Coast Community College District  
1370 Adams Avenue  
Costa Mesa, CA 92626

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

We have audited the accompanying financial statements of the Coast Community College District as of and for the year ended June 30, 2015, 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 statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express 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 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, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Trustees  
Coast Community College District

## **Opinion**

In our opinion, the financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the Coast Community College District as of June 30, 2015, and the results of its operations, changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 15 to the basic financial statements, in 2015 the Coast Community College District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the District's proportionate share of the net pension liability (STRP and CalPERS), schedules of District contributions (STRP and CalPERS), schedule of postemployment healthcare benefits funding progress, and schedule of postemployment healthcare benefits employer contributions 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 an opinion on the Coast Community College District financial statements as a whole. The supplementary schedules and the continuing disclosure information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Coast Community College District.

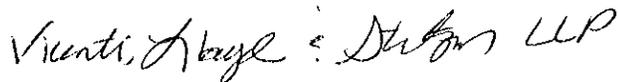
Board of Trustees  
Coast Community College District

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2015 on our consideration of the Coast Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Coast Community College District's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California  
November 12, 2015

**COAST COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ending June 30, 2015**

**INTRODUCTION**

The following discussion and analysis provides an overview of the financial position and activities of the Coast Community College District (the “District”) for the year ended June 30, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The District is reporting according to the standards of Governmental Accounting Standards Board Statements (GASB) No. 34 and 35 using the Business Type Activity (BTA) model. The California Community College Chancellor’s Office, through its Fiscal Accountability Standards Committee, recommended that all community college districts use the reporting standards under the BTA model.

The District includes three comprehensive community colleges. The mission of the District is to respond to the educational needs of an ever-changing community and to provide programs and services that reflect academic excellence. The District’s three colleges promote open access and celebrate the diversity of its students and staff, as well as the community. Coastline Community College, Golden West College, and Orange Coast College offer associate degrees, vocational certificates and transfer education, as well as developmental instruction and a broad array of specialized training. Specific activities in the colleges and the continuing education program are directed toward economic development within the community.

The annual report includes three basic financial statements that provide information on the District as a whole:

- The Statement of Net Position
- The Statement of Revenues, Expenses, and Changes in Net Position
- The Statement of Cash Flows

Each of these statements will be reviewed and significant events discussed. The previous year’s financial information is also provided for comparison.

**COAST COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ending June 30, 2015**

**Financial and Enrollment Highlights**

The District ended the year with a strong fund balance. The ability to maintain a prudent reserve has continued to provide cash flow stability for the District without external borrowing. Health and welfare benefit costs continue to rise and are being monitored. Additional funds were set aside to fund the future retiree benefits liability. Over \$59 million has been set aside to meet the District's liability of approximately \$93 million.

The District runs the Banner financial software which is integrated with the human resources and student systems. The District uses the position budgeting feature to build the budgets and allows on-line budget transfers for faster, more accurate processing. The Banner financial software is also used for the student system. The student financials feed into the Banner financial system which uses an accrual method of accounting. Financial Aid reporting is now incorporated in the Banner system.

In November 2002, the District's citizens passed Measure C, a general obligation bond for facilities. Measure C was fully expended and closed out as of June 30, 2013. On November 6, 2012, the District voters approved and authorized the issuance and sale of \$698 million principal amount of Measure M general obligation bonds of the District.

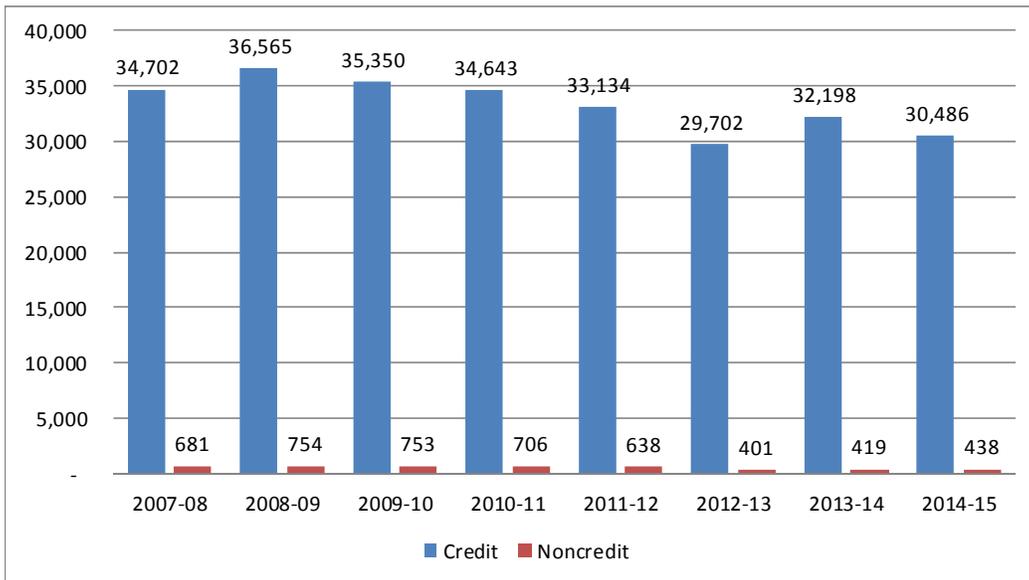
On October 24, 2014, Standard & Poor's long-term and underlying rating of the District's previously issued general obligation (GO) bonds was raised from "AA-" to "AA", reflecting their view of the District's maintenance of improved and very strong reserves and its large, diverse, and affluent taxpayer base. At the same time, Standard & Poor's raised its rating from "AA-" to "A+" for California Community College Financing Authority's series 2011A lease revenue bond. The outlook on all ratings is stable.

During fiscal year 2012-13, a \$315.7 million issuance was executed involving both a refunding of an earlier Measure C issuance and an initial Measure M issuance. Proceeds from the sale of the bonds are to be used to finance the construction, acquisition, and modernization of certain property and District facilities while \$159.2 million were used to provide funds needed to refund a portion of Measure C general obligation bonds and certain other obligations of the District. As of June 30, 2015, approximately \$109 million in capital projects funds were unspent.

**COAST COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ending June 30, 2015**

The 2014-15 FY saw a continued effort geared toward maximizing enrollment and service to students and the community. The 2014-15 P-1 report reflected 32,640 FTES indicating a softening of enrollment. The P-2 enrollment report indicated a continuation of this trend and further softening of demand as FTES was approximately 1,486 below base. A strategic shift of summer FTES was considered and could have allowed the District to report full base FTES at year end. However, the annual 320 enrollment report showed the District to be 1,698 FTES, or approximately 5.2% below base. At that juncture, the District opted to report actual FTES of 30,924 rather than undertaking a strategic shift. However, Stabilization protected the District from any reduction in funding.

**Annual Enrollment**  
**Full-Time Equivalent Students (FTES)**



**COAST COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ending June 30, 2015**

**Statement of Net Position**

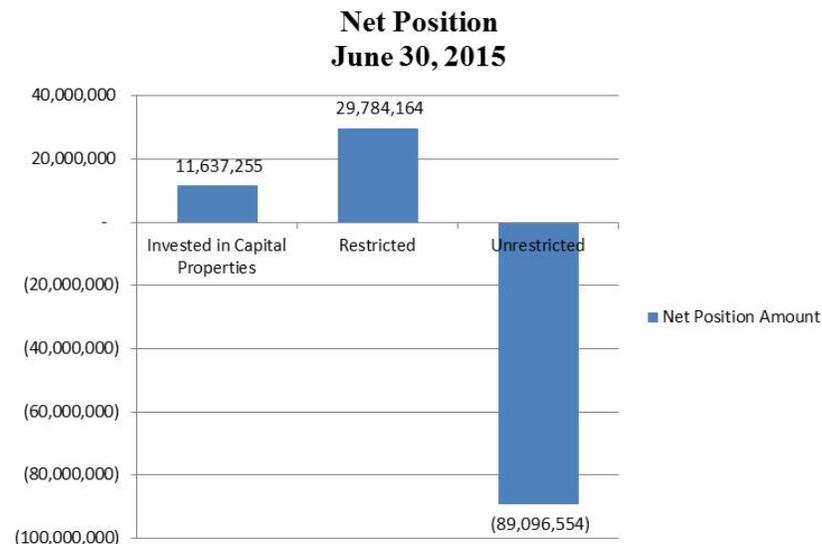
The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net position, the difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources, are one way to measure the financial health of the District.

	(in thousands)		
	2015	2014 *	Change
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 95,305	\$ 56,083	70%
Investments	10,182	9,992	
Account receivables	15,021	27,872	-46%
Notes receivable - current portion	750	500	50%
Inventories	70	60	17%
Prepaid expenses	1,949	3,417	-43%
Total current assets	<u>123,277</u>	<u>97,924</u>	26%
Non-current assets			
Restricted cash and cash equivalents	166,890	203,748	-18%
Restricted student loans receivable	2,626	2,599	1%
Notes receivable	13,688	14,625	-6%
Other post-employment benefit asset	15,074	14,913	1%
Capital assets, net of depreciation	435,564	417,289	4%
Total non-current assets	<u>633,842</u>	<u>653,174</u>	-3%
<b>TOTAL ASSETS</b>	<u>757,119</u>	<u>751,098</u>	1%
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred charge on refunding	14,401	15,646	-8%
Deferred outflows - pension contributions	12,565		100%
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>26,966</u>	<u>15,646</u>	72%
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	31,744	28,983	10%
Unearned revenue	22,115	6,142	260%
Compensated absences payable - current portion	741	741	0%
Estimated liability for open claims and IBNR's	3,054	3,004	2%
Capital leases	169	161	5%
General obligation bond payable - current portion	25,640	22,030	16%
Total current liabilities	<u>83,463</u>	<u>61,061</u>	37%
Non-current liabilities			
Compensated absences payable less current portion	4,429	3,919	13%
Capital leases	268	437	-39%
General obligation bond payable less current portion	564,105	585,587	-4%
Net pension liabilities	136,905		100%
Total non-current liabilities	<u>705,707</u>	<u>589,943</u>	20%
<b>TOTAL LIABILITIES</b>	<u>789,170</u>	<u>651,004</u>	21%
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - pension costs	39,304		100%
Deferred inflows - changes in proportion	3,286		100%
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>42,590</u>	<u>-</u>	100%
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	11,637	14,615	-20%
Restricted	29,784	22,416	33%
Unrestricted	(89,096)	78,709	-213%
<b>TOTAL NET POSITION</b>	<u>\$ (47,675)</u>	<u>\$ 115,740</u>	-141%

\*The prior year has not been restated for the implementation at GASB Statements No. 68 and No. 71

**COAST COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ending June 30, 2015**

- Cash and cash equivalents consists mainly of cash held in the county treasury (\$201 million) and ancillary funds maintained at local banks. Cash increased from the prior year due primarily to grants and contracts and a decrease in accounts receivable mainly due elimination of state apportionment deferrals. At June 30, 2015, the building fund had a cash balance of approximately \$118 million.
- The item for the Other Post Employment Benefits (OPEB) asset is the value of the funding for future retiree benefits beyond the amount required by GASB Statement No. 45. The District has a funding plan to mitigate the unfunded actuarial accrued liability in the next 15 to 20 years.
- The total assets showed an increase of 1%. The total liabilities showed an increase of 21%. This is due to the current portion of the GO Bond payable, deferred revenue and pension liabilities. Total general obligation bonds decreased \$17 million mainly due to current year debt service payments.
- Governmental Accounting Standards Board (GASB) statements 67 and 68 established a definition of a pension plan that reflects the primary activities associated with the pension arrangement determining pensions, accumulating and managing assets dedicated for pensions and paying benefits to plan members. The District's outstanding pension liability for both STRS and PERS is \$136 million for FY 2014-15.
- Net position showed a decrease of 138% from the prior year. Total operating expenses increased by \$34 million, or 12%, while total operating revenues increased by \$20 million or 16%.



**COAST COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ending June 30, 2015**

**Statement of Revenues, Expenses and Changes in Net Position**

The Statement of Revenues, Expenses, and Changes in Net Position presents the operating results of the District, as well as the nonoperating revenues and expenses. State general apportionment, while budgeted for operations, is considered nonoperating revenues by generally accepted accounting principles.

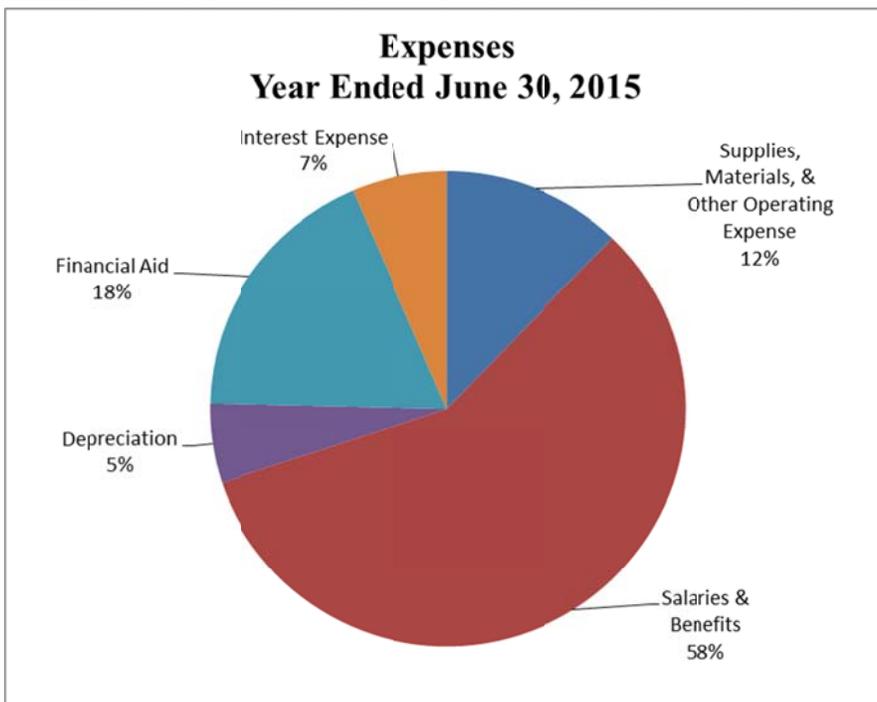
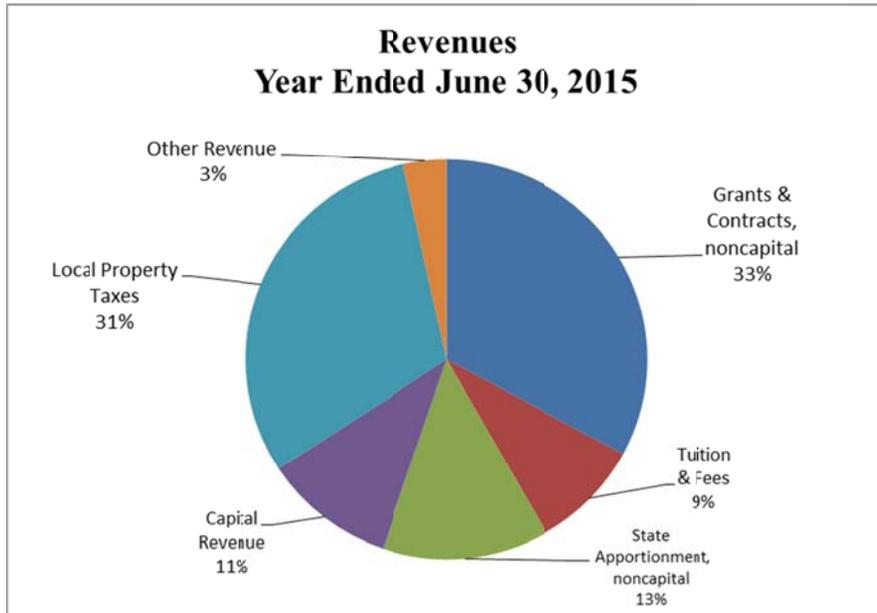
	(in thousands)		
	<u>2015</u>	<u>2014 *</u>	<u>Change</u>
Operating Revenues			
Net tuition and fees	\$ 30,744	\$ 28,804	7%
Grants and contracts, non-capital	112,961	93,289	21%
Auxiliary sales and charges	<u>3,145</u>	<u>4,958</u>	-37%
Total operating revenues	<u>146,850</u>	<u>127,051</u>	16%
Operating Expenses			
Salaries and benefits	194,986	179,517	9%
Supplies, materials and other operating expenses and services	37,184	24,557	51%
Financial aid	61,712	54,218	14%
Utilities	4,526	4,418	2%
Depreciation	<u>18,545</u>	<u>21,013</u>	-12%
Total operating expenses	<u>316,953</u>	<u>283,723</u>	12%
Operating loss	<u>(170,103)</u>	<u>(156,672)</u>	9%
Non-operating revenues (expenses)			
State apportionments, non-capital	46,391	45,991	1%
Local property taxes	105,715	98,141	8%
State taxes and other revenues	8,620	7,324	18%
Investment income, non-capital	252	172	47%
Interest expense	(22,055)	(20,331)	8%
Gain (loss) on disposal of capital assets		<u>(4,676)</u>	-100%
Total non-operating revenues (expenses)	<u>138,923</u>	<u>126,621</u>	10%
Other revenues, expenses, gains or losses			
State apportionments, capital		411	-100%
Local property taxes and revenues, capital	35,508	31,300	13%
Investment income, capital	<u>896</u>	<u>1,013</u>	-12%
Total other revenues, expenses, gains or losses	<u>36,404</u>	<u>32,724</u>	11%
Change in net assets	<u>5,224</u>	<u>2,673</u>	95%
Net assets, beginning of year	115,740	113,067	2%
Cummulative effect of change in accounting principles (see note 15)	<u>(168,639)</u>		100%
Net assets, end of year	<u>\$ (47,675)</u>	<u>\$ 115,740</u>	-141%

\*The prior year has not been restated for the implementation at GASB Statements No. 68 and No. 71

**COAST COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ending June 30, 2015**

- Net tuition and fees consists of enrollment fees (\$39 million), non-resident tuition (\$10.5 million), and other fees (\$5.9 million) less scholarships, discounts and allowances (\$24.7 million). Regular enrollment fees (\$46 per unit) are set by the State for all community colleges reflecting no change from the prior year.
- Revenue from grants and contracts is composed of federal grants (\$61 million), state grants (\$28 million), and local contracts (\$24 million). The increase in federal funding is due mainly to the increase in federal financial aid provided for students and is also reflected in the increased financial aid operating expenses.
- The annual 320 enrollment report showed the District to be 1,698 FTES, or approximately 5.2%, below base. However, Stabilization protected the District from any reduction in funding. The District has continued its effort geared toward maximizing enrollment and service to students and the community.
- Depreciation expenses decreased mainly due to less projects completed in this fiscal year.
- Robust property tax receipt, along with the EPA funding, has resulted in a smaller proportion increase of state apportionment in our total computational apportionment revenue. SB 361 states that for each district the State shall subtract from the computed revenue apportionment a district's local property tax revenue and 98% of the enrollment fees collected by the district.

**COAST COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ending June 30, 2015**



**COAST COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ending June 30, 2015**

**Statement of Cash Flows**

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

	(in thousands)		
	<u>2015</u>	<u>2014</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (134,740)	\$ (149,445)	10%
Noncapital financing activities	176,302	136,696	29%
Capital and related financing activities	(39,260)	(16,767)	134%
Investing activities	<u>62</u>	<u>(9,710)</u>	-101%
Net change in cash and cash equivalents	2,364	(39,226)	-106%
Cash balance, beginning of year	259,831	299,057	-13%
Cash balance, end of year	<u>\$ 262,195</u>	<u>\$ 259,831</u>	1%

- The primary cash receipts from operating activities consist of grants and contracts and tuition and fees, while the outlays include payment of wages, benefits, supplies, services, contracts, scholarships and financial aid.
- General apportionment is the main source of noncapital financing activities and consists of state apportionment, local property taxes, and student fees.
- Cash provided and used for capital and related financing activities reflects local capital outlay resources.
- Cash from investing activities is interest and gains on investments. The increase in cash provided by investing activities is due to increasing interest rates and market gains.

The overall cash balance has increased from prior year resulting from a modest COLA and increased categorical funding.

**COAST COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ending June 30, 2015**

**District's 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 in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Capital Asset and Debt Administration**

Capital Assets

As of June 30, 2015, the District had over \$435 million invested in net capital assets. Total capital assets of \$708 million consist of land, buildings and building improvements, vehicles, data processing equipment and other office equipment; these assets have accumulated depreciation of \$272 million. New additions for construction and equipment of \$36.8 million occurred during 2014/2015, and depreciation expense of \$18.5 million was recorded for the fiscal year. Construction in progress of \$5 million was completed and placed into service as buildings and site improvements. Note 6 to the financial statements provides additional information on capital assets. A summary of capital assets net of depreciation is presented below:

	<u>Balance June 30, 2015</u>
Land	\$ 24,141,969
Buildings and site improvements	588,048,892
Equipment	37,933,684
Construction in progress	<u>58,276,742</u>
Totals at historical cost	<u>708,401,287</u>
Less accumulated depreciation for:	
Buildings and site improvements	(239,593,209)
Equipment	<u>(33,243,790)</u>
Total accumulated depreciation	<u>(272,836,999)</u>
Governmental capital assets, net	<u><u>\$ 435,564,288</u></u>

**COAST COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ending June 30, 2015**

Debt

At June 30, 2015, the District had \$590 million in debt for the General Obligation bonds. The payments for general obligation bond debt are funded through property tax assessments. Notes 8 and 9 to the financial statements provide additional information on long-term liabilities.

**Economic Factors That May Affect the Future**

State Economy

The Governor's January Budget Proposal, released on January 9, 2015, reflected 1.58% COLA and 2.0% in Growth/Access/Restoration funding. This proposal was noteworthy as it introduced several key initiatives including an on-going base augmentation of \$266.7 million, one-time mandate reimbursement of \$632 million to further pay down outstanding State mandate claims, \$62.3 million to increase the number of full-time faculty and elimination of the last apportionment deferral of \$94.5 million. Other major elements of this proposal included an increase of \$200 million for Student Success programs, \$500 million is identified for Adult Education, and \$148 million for Deferred Maintenance and Instructional Equipment. This proposal also acknowledged a funding shortfall of nearly \$80 billion in the State Teachers Retirement System (STRS).

The May Revision, released on May 14, 2015, modified several of the elements reflected in the Governor's January Budget Proposal. The COLA is now reflected at 1.02%, and funds for Growth/Access/Restoration is 3.0%. All intra-year deferrals have been eliminated. Inter-year deferrals, however, remain at \$94 million system-wide. The Governor also proposed to develop a Rainy Day Fund and a Proposition 98 Reserve.

The 2015-16 FY State Budget Bill, SB 97, was signed into law by the Governor on June 24, 2015. It reflected the fourth consecutive year a budget was passed on time and largely along partisan lines. Total State general fund spending is \$115 billion with no threat of trigger cuts. The Governor has taken a conservative approach to budgeting and has employed specific steps to protect against boom and bust cycles and eliminate debt.

**COAST COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ending June 30, 2015**

The 2015-16 FY CCCD Budget

- Estimated State Revenue reflected a 1.02% COLA (\$1,667,261) and a \$120 per FTES Unrestricted Lottery Revenue. Growth/Access funding is identified at 3.0% but the District does not budget these funds until the following year in which they are earned.
- Statewide Categorical program funding for the 2015-16 FY stands at nearly \$577 million, providing a significant increase in programmatic funding. The total categorical funding for Coast is nearly \$12 million.
- In recent years the District has maintained a reserve for contingency ranging between 5.5% to 7.0%. For the 2015-16 FY, following Board Policy 6200, the Adopted Budget reflects a General Reserve of 5% and a Reserve for Contingency of 3%, for a total of \$15.2 million, or 8% of the prior year unrestricted general fund expense.
- Salaries and benefits continue to comprise the largest portion of the District's expenses. In 2015-16, 87.5% of the unrestricted funds were spent on salaries and benefits.
- Volatility continues in our Health and welfare benefit programs. The budget for benefits in the 2015-16 FY is \$16,200 Per Employee Per Year (PEPY) as compared with prior year actual of \$14,839 PEPY.

Uncertainty in the state budget process continues and districts remain exposed to shortfalls in property taxes and student fees. The 2013-14 FY closed with a 1.07% deficit factor, meaning that the District did not receive \$1.7 million of its approximate \$160 million total computational revenue. While this carried forward to the 2014-15 FY, the District's ending fund balance was able to absorb this funding shortfall. The 2014-15 FY closed with a deficit factor of 0.3% resulting in a revenue shortfall of approximately \$520,000.

The District continues to budget the actuarially determined Annual Required Contribution (ARC) to address our long term employee health benefit liability. In recent years these funds have been held in the district's insurance reserve rather than being transferred to the irrevocable trust to address cash flow concerns.

**COAST COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ending June 30, 2015**

Significant Future Events

While the economic outlook is positive, the District's financial position could be impacted by one or more of several major budgetary issues. The Sales and Use Tax (SUT) increase under Proposition 30 sunsets in 2016. This represents approximately 21% of Proposition 30 revenues. The Personal Income Tax (PIT) sunsets in 2019. In January, Governor Jerry Brown estimated Proposition 30 would bring in \$7.3 billion; that figure increased at the May Revision, with \$1.4 billion being attributed to the sales tax increase and \$6 billion attributed to personal income taxes under Proposition 30. About 45% of those funds go to Proposition 98, which will be a significant loss when Proposition 30 expires.

A new model under which growth funds are allocated by the state to local community college districts was implemented with the adoption of the 2015-16 FY State Budget. The District had a 2.75% growth cap imposed under this new model.

Consistent with the Governors commitment to taking down state debt, contributions to the California State Teachers Retirement System (STRS) plan will change for employees and employers. The 30 year STRS obligation of \$74.4 billion is only 67% funded. For employees, whether pre- or post-PEPRA (the Public Employees' Pension Reform Act of 2013), the contribution rate for 2015-16 will be increased to 10.73%. By the start of the 2020-21 FY, the employer match for STRS employees will increase to 19.1%. Rates will diverge in 2015-16, when pre-PEPRA employees will see a bigger increase. In reaction to the Governor's original proposal, CalSTRS noted that its system is not yet ready to accommodate different employee contribution rates, but would be for 2015-16. The state component will increase from 3% to 6.3% in the 2016-17 FY. Likewise, the employer contribution for employees in the California Public Employee Retirement System (PERS) will increase over time. The rate reflected in the 2015-16 FY Adopted Budget is 11.847% of payroll and is expected to increase to 20.4% of payroll by the 2020-21 FY.

**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 the Office of Fiscal Affairs at Coast Community College District, 1370 Adams Avenue, Costa Mesa, California 92626, or e-mail Daniela Thompson at DThompson@mail.cccd.edu.

## **BASIC FINANCIAL STATEMENTS**

# COAST COMMUNITY COLLEGE DISTRICT

## STATEMENT OF NET POSITION

June 30, 2015

	Primary Government	Component Units
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 95,305,082	\$ 6,331,573
Investments	10,181,985	23,236,518
Accounts receivable, net	15,021,483	165,666
Deferred tax asset		19,500
Pledges receivable, net		330,487
Beneficial interest in charitable gift annuity		7,209
Inventories	70,417	
Notes receivable - current portion	750,000	
Prepaid expenses and other current assets	1,948,979	94,162
Total Current Assets	123,277,946	30,185,115
Non-Current Assets:		
Restricted cash and cash equivalents	166,889,979	
Restricted student loans receivable, net	2,625,610	
Notes receivable	13,687,500	
Other postemployment benefit asset	15,073,811	
Capital assets, net of accumulated depreciation	435,564,288	4,111,061
Total Non-Current Assets	633,841,188	4,111,061
Total Assets	757,119,134	34,296,176
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refunding	14,401,138	
Deferred outflows - pension contributions	12,564,923	
Total Deferred Outflows of Resources	26,966,061	
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 784,085,195</b>	<b>\$ 34,296,176</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$ 17,960,909	\$ 1,197,875
Accrued liabilities	13,783,239	99,022
Unearned revenue	22,114,774	356,140
Compensated absences - current portion	741,457	
Estimated liability for open claims and IBNR's	3,053,991	
Capital leases - current portion	168,919	
General obligation bonds payable - current portion	25,640,000	
Other long-term debt - current portion		110,000
Total Current Liabilities	83,463,289	1,763,037
Non-Current Liabilities:		
Capital leases	268,295	
Compensated absences	4,429,062	
Net pension liabilities	136,904,661	
General obligation bonds payable	564,105,155	
Total Non-Current Liabilities	705,707,173	-
Total Liabilities	789,170,462	1,763,037
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows - pension costs	39,304,108	
Deferred inflows - changes in proportion	3,285,760	
Total Deferred Inflows of Resources	42,589,868	-
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	11,637,255	
Permanently restricted		6,667,995
Temporarily restricted		22,527,933
Restricted for:		
Capital projects	13,163,186	
Debt service	12,807,491	
Scholarships and loans	3,813,487	
Unrestricted	(89,096,554)	2,545,529
Common stock		158
Retained earnings		791,524
Total Net Position	(47,675,135)	32,533,139
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 784,085,195</b>	<b>\$ 34,296,176</b>

See the accompanying notes to the financial statements.

**COAST COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the Fiscal Year Ended June 30, 2015**

	<b>Primary Government</b>	<b>Component Units</b>
	<u>                    </u>	<u>                    </u>
<b>OPERATING REVENUES</b>		
Tuition and fees (gross)	\$ 55,422,867	\$
Less: Scholarship discounts and allowances	(24,679,219)	
Net tuition and fees	<u>30,743,648</u>	<u>-</u>
Grants and contracts, non-capital:		
Federal	60,948,756	
State	27,977,977	
Local	24,034,218	
Sales	<u>3,144,932</u>	<u>11,989,105</u>
<b>TOTAL OPERATING REVENUES</b>	<u>146,849,531</u>	<u>11,989,105</u>
<b>OPERATING EXPENSES</b>		
Salaries	137,957,017	2,099,909
Employee benefits	57,029,154	346,610
Supplies, materials, and other operating expenses and services	37,184,227	9,927,881
Financial aid	61,711,778	
Utilities	4,526,316	
Depreciation	<u>18,545,440</u>	<u>479,339</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>316,953,932</u>	<u>12,853,739</u>
<b>OPERATING LOSS</b>	<u>(170,104,401)</u>	<u>(864,634)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State apportionments, non-capital	46,391,550	
Local property taxes	105,715,579	
State taxes and other revenue	8,619,555	17,700
Interest and investment income, non-capital	251,855	274,457
Interest expense	<u>(22,055,249)</u>	
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>138,923,290</u>	<u>292,157</u>
<b>LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>	<u>(31,181,111)</u>	<u>(572,477)</u>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES</b>		
Local property taxes and revenues, capital	35,507,868	
Interest and investment income, capital	<u>896,221</u>	
<b>TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES</b>	<u>36,404,089</u>	<u>-</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>5,222,978</u>	<u>(572,477)</u>
<b>NET POSITION, BEGINNING OF YEAR AS PREVIOUSLY REPORTED</b>	115,740,430	33,105,616
Cumulative effect of change in accounting principles (see Note 15)	<u>(168,638,543)</u>	<u>-</u>
<b>NET POSITION, BEGINNING OF YEAR AFTER CUMULATIVE EFFECT</b>	<u>(52,898,113)</u>	<u>33,105,616</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ (47,675,135)</u>	<u>\$ 32,533,139</u>

See the accompanying notes to the financial statements.

**COAST COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2015**

	<b>Primary Government</b>	<b>Component Units</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 34,590,023	\$
Federal grants and contracts	64,486,056	
State grants and contracts	32,982,886	
Local grants and contracts	25,435,833	
Sales	3,194,810	
Other receipts	145,091	
Auxiliary enterprise sales and charges		6,080,653
Administrative fees and interest		648,104
Donations		3,034,366
Payments to suppliers	(40,898,320)	(8,982,092)
Payments to/on-behalf of employees	(192,938,332)	(646,039)
Payments to/on-behalf of students	(61,738,114)	
Payments to/on-behalf of students for scholarships		(1,390,138)
	(134,740,067)	(1,255,146)
Net cash used by operating activities		
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State apportionments and receipts	62,975,239	
Property taxes	105,715,579	
State tax and other revenues	6,923,625	
Principal collections on notes receivable	687,500	
	176,301,943	-
Net cash provided by non-capital financing activities		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Interest on capital investments	896,221	
Local revenue, grants and gifts for capital purposes	35,507,868	
Purchases of capital assets	(35,453,236)	(31,920)
Principal paid on capital debt	(22,191,378)	
Interest paid on capital debt	(18,019,459)	
	(39,259,984)	(31,920)
Net cash used by capital and related financing activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	115,671	101,562
Purchase of investments	(53,530)	(12,021)
	62,141	89,541
Net cash provided by investing activities		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	2,364,033	(1,197,525)
<b>CASH BALANCE - Beginning of Year</b>	259,831,028	7,529,098
<b>CASH BALANCE - End of Year</b>	\$ 262,195,061	\$ 6,331,573

See the accompanying notes to the financial statements.

**COAST COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2015**

	<u>Primary Government</u>	<u>Component Units</u>
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$(170,104,401)	\$ (864,634)
Taxes		17,700
Net non-cash contributions		(1,419,571)
Realized and unrealized gains on investments, net		(22,671)
Loss on sale of donated items		217,931
Gain on sale of fixed asset		(9,202)
Change in value of split-interest agreement		28,663
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	18,545,440	479,339
Changes in assets and liabilities:		
Receivables, net	(2,037,483)	116,916
Pledge receivable		208,751
Inventory	(10,747)	
Prepaid expense	1,468,182	5,810
Student loans receivable	(26,336)	
Other asset		(19,500)
Gift annuities, net		31,429
Other postemployment benefit asset	(160,326)	
Deferred outflows - pension contributions	(1,487,838)	
Accounts payable and accrued liabilities	2,761,088	(8,497)
Deferred tax liability		(14,110)
Unearned revenue	15,972,773	(3,500)
Compensated absences	510,968	
Estimated liability for open claims and IBNR's	49,712	
Net pension obligation	(42,810,967)	
Deferred inflows - pension costs	42,589,868	
Net cash provided (used) by operating activities	<u>\$ (134,740,067)</u>	<u>\$ (1,255,146)</u>

See the accompanying notes to the financial statements.

**COAST COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2015**

	<b>Ancillary Funds</b>	<b>Associated Student Body Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,188,422	\$ 12,400,075
Accounts receivable:		
Miscellaneous	105,160	304,905
Other current assets	21,483	105,000
<b>TOTAL ASSETS</b>	<b>2,315,065</b>	<b>12,809,980</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows - pension contributions		135,982
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>135,982</b>
 <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	 <b>\$ 2,315,065</b>	 <b>\$ 12,945,962</b>
 <b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 121,624	\$ 329,568
Funds held in trust	2,193,441	4,401,466
<b>Total current liabilities</b>	<b>2,315,065</b>	<b>4,731,034</b>
<b>Non-Current liabilities</b>		
Net pension liabilities		1,193,632
<b>Total non-current liabilities</b>	<b>-</b>	<b>1,193,632</b>
<b>TOTAL LIABILITIES</b>	<b>2,315,065</b>	<b>5,924,666</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows - pension costs		410,145
Deferred inflows - changes in proportion		68,291
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>478,436</b>
 <b>NET POSITION</b>		
Unrestricted	-	6,542,860
<b>TOTAL NET POSITION</b>	<b>-</b>	<b>6,542,860</b>
 <b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	 <b>\$ 2,315,065</b>	 <b>\$ 12,945,962</b>

See the accompanying notes to the financial statements.

**COAST COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the Fiscal Year Ended June 30, 2015**

	<b>Associated Student Body Funds</b>
<b>ADDITIONS</b>	
Sales, net of purchases	\$ 1,188,210
Interest and investment income	39
Student representation fee	1,663,368
Other local revenues	326,669
<b>TOTAL ADDITIONS</b>	<b>3,178,286</b>
<b>DEDUCTIONS</b>	
Classified salaries	599,640
Employee benefits	176,916
Services and other operating expenses	2,008,962
Capital outlay	25,826
<b>TOTAL DEDUCTIONS</b>	<b>2,811,344</b>
Change in net position	366,942
<b>NET POSITION, BEGINNING OF YEAR AS PREVIOUSLY REPORTED</b>	7,771,352
Cumulative effect of change in accounting principles (see Note 15)	(1,595,434)
<b>NET POSITION, BEGINNING OF YEAR AFTER CUMULATIVE EFFECT</b>	<b>6,175,918</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 6,542,860</b>

See the accompanying notes to the financial statements.

**COAST COMMUNITY COLLEGE DISTRICT**

**RETIREE HEALTH BENEFIT OPEB TRUST**

**STATEMENT OF PLAN NET POSITION**

**June 30, 2015**

**ASSETS**

Investments - Master Trusts

\$ 59,391,445

**TOTAL ASSETS**

\$ 59,391,445

**NET POSITION - RESTRICTED FOR POSTEMPLOYMENT**

**HEALTH BENEFITS**

\$ 59,391,445

See the accompanying notes to the financial statements.

**COAST COMMUNITY COLLEGE DISTRICT**  
**RETIREE HEALTH BENEFIT OPEB TRUST**  
**STATEMENT OF CHANGES IN PLAN NET POSITION**  
**For the Fiscal Year Ended June 30, 2015**

**ADDITIONS**

Dividends and interest	\$ 1,340,546
Net gain on fair value of investments	<u>164,030</u>
<b>TOTAL ADDITIONS</b>	<u><u>1,504,576</u></u>

**DEDUCTIONS**

Trust fees	<u>500</u>
<b>TOTAL DEDUCTIONS</b>	<u><u>500</u></u>

Net changes in net position	1,504,076
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<b>NET POSITION - RESTRICTED FOR POSTEMPLOYMENT HEALTH BENEFITS, BEGINNING OF YEAR</b>	<u>57,887,369</u>
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<b>NET POSITION - RESTRICTED FOR POSTEMPLOYMENT HEALTH BENEFITS, END OF YEAR</b>	<u><u>\$ 59,391,445</u></u>
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See the accompanying notes to the financial statements.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. REPORTING ENTITY**

The Coast Community College District (the District) is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*.

The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**A. REPORTING ENTITY (continued)**

2. The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following six component units have been included in the District's reporting entity:

**Coast Community College District Foundation, Coastline College Foundation, Golden West College Foundation, Orange Coast College Foundation, and Coast Community College District Enterprise Corporation.** Each foundation is a separate not-for-profit corporation formed to promote and assist the educational programs of the District. In addition, the Coast Community College Enterprise Corporation is a separate for-profit corporation and operates the swap meet at Golden West and Orange Coast Colleges. The Board of Directors are elected independent of any District Board Trustee's appointments. The Board of Directors are responsible for approving their own budgets and accounting and finance related activities; however, the District's governing board has fiscal responsibility over each Foundation and the Enterprise Corporation. The financial activities of the foundations and the enterprise corporation have been discretely presented. Their separate financial statements may be obtained through the District.

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

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**B. FINANCIAL STATEMENT PRESENTATION**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective used internally. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements.

**C. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses 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.

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The statements of plan net position and changes in plan net position of the Retiree Health Benefit OPEB Trust are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING (continued)**

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*.

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's Governing Board must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP).

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31. The fair value is approximately 99.8% of cost.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING (continued)**

2. Accounts Receivable, Net

Accounts receivable consists primarily of amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. All material receivables are considered fully collectible. The District recognized for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

3. Investments

Investments are reported at fair value, which is determined by the most recent bid and asking price as obtained from dealers that make markets in such securities.

4. Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of items held for resale in the food service and sailing center operations and expendable instructional, custodial, health and other supplies held for consumption.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING (continued)**

5. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

6. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts designated for acquisition or construction of non-current assets or that are segregated for the liquidation of long-term debt.

7. Restricted Student Loans Receivable, Net

Student loans receivable consist of loan advances to students awarded under the student financial aid programs the District administers for Federal agencies. Student loans receivable are recorded net of cancelled principal. The receivables are held in trust for the awarding Federal agency.

8. Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings valued at \$5,000 or more as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method with a half-year convention over the estimated useful lives of the assets, generally 50 years for buildings, 20 years for building improvements, 10 years for land improvements, 8 years for equipment and vehicles and 3 years for technology.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING (continued)**

8. Capital Assets (continued)

Interest costs are capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. In determining the amount to be capitalized, interest costs are offset by interest earned on proceeds of the District's tax exempt debt restricted to the acquisition of qualifying assets.

9. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following deferred outflows:

Deferred charge on refunding: A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred outflows – pension contributions: The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans. The deferred outflows for pension contributions will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

10. Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30. Accrued liabilities consist of salaries and benefits payable.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING (continued)**

11. Unearned Revenue

Cash received for summer student enrollment fees and for Federal and state special projects and programs are recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

12. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability in the statement of net position when incurred.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave; therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

13. Net Pension Liability

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 (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.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING (continued)**

14. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources – pension costs, results from the difference between the estimated and actual return on pension plan investments and the change in the District's proportionate share of pension contributions. These amounts are deferred and amortized to pension expense over closed periods ranging from 3.9 to 5 years.

15. Net Position

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

Restricted net position – expendable: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Restricted net position – nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District had no restricted net position – nonexpendable.

Unrestricted net position: Unrestricted net position represents resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING (continued)**

16. State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year.

Any prior year corrections due to the recalculation in February of 2016 will be recorded in the year computed by the State.

17. Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has not been accrued in these financial statements because it is not material. Property taxes for debt service purposes cannot be estimated and have therefore not been accrued in the basic financial statements.

18. Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, and Federal and most state and local grants and contracts.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING (continued)**

19. Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

20. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

**NOTE 2 - DEPOSITS AND INVESTMENTS:**

**A. Deposits**

**Custodial Credit Risk**

Custodial credit risk 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 deposit policy for custodial risk. As of June 30, 2015, \$37,877,928 of the District's bank balance of \$38,377,928 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	<u>\$37,877,928</u>
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**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)**

**A. Deposits (continued)**

**Cash in County**

In accordance with *The Budget and Accounting Manual*, the District maintains substantially all of its cash in the Orange County Treasury as part of the common investment pool. These pooled funds are carried at amortized cost which approximates fair value.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

**B. Investments**

**Policies**

Under provisions of California Government Code Sections 16430, 53601 and 53602 and District Board Policy Section 6020, the District may invest in the following types of investments:

- State of California Local Agency Investment Fund
- County Treasurer's Investment Pools
- U.S. Treasury notes, bonds, bills or certificates of indebtedness
- Fully insured or collateralized certificates of deposit
- Fully insured and collateralized credit union accounts

The District did not violate any provisions of the California Government Code or District Board policy during the year ended June 30, 2015.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)**

**B. Investments (continued)**

Investments at June 30, 2015 are presented below:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Standard &amp; Poor's Rating</u>
U. S. Treasury Bond	05/15/2016	\$ 1,724,462	AA+
	01/31/2017	1,759,707	AA+
	12/31/2017	748,418	AA+
	11/15/2019	933,422	AA+
	11/15/2020	906,964	AA+
	11/15/2021	877,018	AA+
	11/15/2022	849,793	AA+
	11/15/2023	819,012	AA+
Corporate Note	07/12/2016	503,745	AA+
	07/22/2016	507,184	AA-
	08/15/2016	508,182	AA
Money Market Fund		<u>44,078</u>	AAAm
Total		<u>\$ 10,181,985</u>	

**Interest Rate Risk**

Interest rate risk is the risk that changes in 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; however, the District has operated within parameters of the "Permitted Investments" as specified in the Measure M 2013 Official Statement and the Board Resolution No. 13.06 authorizing the election. These parameters set up the outer boundaries of what the bond proceeds can be invested in. The District has since developed an investment strategy for those proceeds. Information about the exposure of the District's investments to this risk is provided above.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)**

**B. Investments (continued)**

**Concentration of Credit Risk**

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount that may be invested in any one issuer. In accordance with governmental accounting standards, the District is exposed to concentration of credit risk whenever an investment in any one issuer exceeds 5%. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

**C. Investments – OPEB Trust**

Investments held by the Retiree Health Benefit Funding Program Joint Powers Agency (the JPA) in the Retiree Health Benefit OPEB Trust (the Trust), are limited to those within the terms of the trust agreement and the participation agreement, any applicable plan documents and in accordance with California Code Section 53620 through 53622. The JPA did not violate any provisions of the investment policy during the fiscal year ended June 30, 2015.

Investments held by the JPA at June 30, 2015 are presented below:

<u>Investment</u>	<u>Fair Value</u>
Master Trusts	\$59,391,445

**Interest Rate Risk**

Interest risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The JPA 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.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)**

**C. Investments – OPEB Trust (continued)**

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The JPA authorizes the use of a broad range of investment choices that have distinctly different risk and return characteristics, with the provision that all investments must continue to adhere to the underlying requirements of California Government Code Section 53600.5 and, in particular, its emphasis on preservation of capital. As of June 30, 2015, the JPA's investments in master trusts are unrated.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The JPA places no limit on the amount that may be invested in any one issuer. In accordance with governmental accounting standards, the District is exposed to concentration of credit risk whenever an investment in any one issuer exceeds 5%. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

**NOTE 3 - ACCOUNTS RECEIVABLE:**

The accounts receivable balance as of June 30, 2015 consists of the following:

Federal and State	\$3,568,240
Tuition and Fees	5,841,445
Miscellaneous	<u>5,611,798</u>
	<u>\$ 15,021,483</u>

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 4 - NOTE RECEIVABLE:**

The District entered into a note receivable in the amount of \$20,000,000 for the sale of KOCE and the KOCE-TV operating license on March 17, 2004. The payments are to be made to the District over 26 years. The District received \$687,500 during this fiscal year and is expecting to receive \$750,000 in the next fiscal year. The balance of the notes receivable as of June 30, 2015 is \$14,437,500.

**NOTE 5 - INTERFUND TRANSACTIONS:**

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund receivables and payables result when the interfund transfer is transacted after the close of the fiscal year. Interfund activity within the government funds has been eliminated in the basic financial statements.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 6 - CAPITAL ASSETS:**

The following provides a summary of changes in capital assets for the year ended June 30, 2015:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>
Capital assets not depreciated:				
Land	\$ 24,141,969	\$	\$	\$ 24,141,969
Work in progress	29,429,845	33,398,761	(4,551,864)	58,276,742
Total capital assets not depreciated	<u>53,571,814</u>	<u>33,398,761</u>	<u>(4,551,864)</u>	<u>82,418,711</u>
Capital assets depreciated:				
Buildings and improvements	581,031,560	7,017,332		588,048,892
Equipment and vehicles	37,352,225	956,647	(375,188)	37,933,684
Total of capital assets depreciated	<u>618,383,785</u>	<u>7,973,979</u>	<u>(375,188)</u>	<u>625,982,576</u>
Less accumulated depreciation for:				
Buildings and improvements	(222,689,521)	(16,903,688)		(239,593,209)
Equipment and vehicles	(31,977,226)	(1,641,752)	375,188	(33,243,790)
Total accumulated depreciation	<u>(254,666,747)</u>	<u>(18,545,440)</u>	<u>375,188</u>	<u>(272,836,999)</u>
Governmental activities capital assets, net	<u>\$ 417,288,852</u>	<u>\$ 22,827,300</u>	<u>\$ (4,551,864)</u>	<u>\$ 435,564,288</u>

Interest costs for the year ended June 30, 2015 were \$23,422,889 of which \$1,367,640 was capitalized. Interest earned on proceeds of the District's tax exempt debt used to offset capitalized interest was \$735,530.

**COAST COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 7 - LEASES:**

**A. Capital Leases**

The District has entered into a lease agreement to implement an energy conservation photovoltaic power system totaling \$1,485,600. Future minimum lease payments are as follows:

Year Ended			
June 30	Principal	Interest	Total
2016	\$ 168,919	\$ 18,271	\$ 187,190
2017	176,814	10,376	187,190
2018	91,481	2,113	93,594
Total	<u>\$ 437,214</u>	<u>\$ 30,760</u>	<u>\$ 467,974</u>

The current year payment for this lease is approximately \$187,000. The District will receive no sublease rental revenues nor pay any contingent rentals for this agreement.

**B. Operating Leases**

The District has entered into various operating leases for land, buildings, and equipment with lease terms in excess of one year. None of these agreements contain purchase options. Future minimum lease payments under these agreements are as follows:

Year Ended	Lease
June 30	Payment
2016	\$ 275,492
2017	22,366
2018	183,127
2019	54,808
2020	4,952
Total	<u>\$ 540,745</u>

Current year expenditures for operating leases are approximately \$275,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 8 – GENERAL OBLIGATION BONDS:**

**A. Measure C Series**

On November 5, 2002, the District voters approved the issuance and sale of Measure C general obligation bonds totaling \$370,000,000.

On April 17, 2003, the District issued 2002 General Obligation Bonds, Series 2003A of \$110,000,000. Proceeds from the sale of the bonds will be used to finance the construction, acquisition, and modernization of certain property and District facilities and to provide a portion of the monies needed to prepay certain lease obligations of the District.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series A bonds included a premium of \$1,293,840. This amount is amortized using the straight-line method. Amortization of \$85,780 was recognized during the 2014-15 year.

On March 10, 2005, the District issued 2005 General Obligation Refunding Bonds (the Refunding Bonds) consisting of \$72,275,000 of current interest bonds and \$2,618,867 of capital appreciation bonds. The proceeds of which were used to advance refund portions of the District's Series 2003A bonds.

Capital appreciation bonds were issued as part of the Refunding Bonds issuance with maturity dates from August 1, 2020 through 2022. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. At June 30, 2015, \$5,839,885 in accreted interest has been accrued and included in long-term debt.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 8 – GENERAL OBLIGATION BONDS: (continued)**

**A. Measure C Series (continued)**

On June 28, 2006, the District issued its Series 2006B and 2006C for \$149,859,831 and \$110,140,169, respectively. The proceeds of which are to be used to construct and modernize educational facilities at the District's colleges, to fund an escrow to prepay the District's outstanding 1997 Certificates of Participation, to fund an escrow to reimburse the District loan payments with respect to the District's loan agreement with the State Energy and Water Efficiency Revenue Bond Project, and to pay all necessary legal, financial and contingent costs in connection with the issuance of the bonds.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series 2006C bonds included a premium of \$1,444,299. This amount is amortized using the straight-line method. Amortization of \$49,477 was recognized during 2014-15.

Capital appreciation bonds were issued as part of the Series 2006B issuance with maturity dates from August 1, 2025 through 2030 and Series 2006C issuance with maturity dates from August 1, 2029 through 2036. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. At June 30, 2015, \$79,521,699 in accreted interest has been accrued and included in long-term debt.

**COAST COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 8 – GENERAL OBLIGATION BONDS: (continued)**

**A. Measure C Series (continued)**

**Payments- Measure C Series**

**Series 2003A**

The annual requirements to amortize Series 2003A bonds payable, outstanding as of June 30, 2015, are as follows:

<b>Year Ended</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 635,000	\$ 45,625	\$ 680,625
2017	<u>595,000</u>	<u>14,875</u>	<u>609,875</u>
	<u>\$ 1,230,000</u>	<u>\$ 60,500</u>	<u>\$ 1,290,500</u>

**The 2005 Refunding Bonds**

The annual requirements to amortize the 2005 Refunding Bonds bonds payable, outstanding as of June 30, 2015, are as follows:

<b>Year Ended</b>		<b>Accreted</b>	<b>Current</b>	
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Interest</b>	<b>Total</b>
		<b>Component</b>	<b>Component</b>	
2016	\$ 5,880,000	\$	\$ 154,350	\$ 6,034,350
2017				-
2018				-
2019				-
2020				-
2021-2023	<u>2,618,867</u>	<u>15,471,132</u>		<u>18,089,999</u>
	<u>\$ 8,498,867</u>	<u>\$ 15,471,132</u>	<u>\$ 154,350</u>	<u>\$ 24,124,349</u>

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 8 – GENERAL OBLIGATION BONDS: (continued)**

**A. Measure C Series (continued)**

**Payments- Measure C Series (continued)**

**Series 2006B**

The annual requirements to amortize Series 2006B bonds payable, outstanding as of June 30, 2015, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Current Interest Component</u>	<u>Total</u>
2016	\$ 1,660,000	\$	\$ 165,538	\$ 1,825,538
2017	2,655,000		63,056	2,718,056
2018				-
2019				-
2020				-
2021-2025				-
2026-2030	38,790,977	69,299,023		108,090,000
2031	<u>10,068,854</u>	<u>23,551,146</u>		<u>33,620,000</u>
	<u>\$ 53,174,831</u>	<u>\$ 92,850,169</u>	<u>\$ 228,594</u>	<u>\$ 146,253,594</u>

**Series 2006C**

The annual requirements to amortize Series 2006C bonds payable, outstanding as of June 30, 2015, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Current Interest Component</u>	<u>Total</u>
2016	\$	\$	\$ 5,661,000	\$ 5,661,000
2017			5,661,000	5,661,000
2018			5,661,000	5,661,000
2019			5,661,000	5,661,000
2020			5,661,000	5,661,000
2021-2025			28,305,000	28,305,000
2026-2030			27,540,875	27,540,875
2031-2035	87,808,723	59,011,277	9,007,625	155,827,625
2036-2037	<u>22,331,446</u>	<u>83,478,554</u>		<u>105,810,000</u>
	<u>\$ 110,140,169</u>	<u>\$ 142,489,831</u>	<u>\$ 93,158,500</u>	<u>\$ 345,788,500</u>

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 8 – GENERAL OBLIGATION BONDS: (continued)**

**B. Measure M Series**

On November 6, 2012, the District voters approved and authorized the issuance and sale of \$698,000,000 principal amount of Measure M General Obligation Bonds of the District.

On May 29, 2013, the District issued the following Measure M Series:

1. General Obligation Bonds, Series 2013A were issued for \$190,000,000 (Series 2013A). The proceeds of which are being issued to (i) finance the acquisition, construction, modernization and renovation of District sites and facilities, (ii) refinance all or a portion of the California Community College Financing Authority Lease Revenue Bonds, Series 2011A, and (iii) pay the costs of issuance associated with Series 2013A.

The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$5,359,201. Amortization of \$210,552 was recognized during the fiscal year 2014-15.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series 2013A included a premium of \$17,250,729. This amount is amortized using the straight-line method. Amortization of \$677,760 was recognized during the 2014-15.

2. General Obligation Bonds, Series 2013B were issued for \$10,000,000 (Series 2013B). The proceeds of which are being used to (i) finance an endowment for voter-approved technology upgrades, and (ii) pay the costs of issuance associated with Series 2013B.
3. Tax-Exempt General Obligation Refunding Bonds, Series A (Tax-Exempt Refunding Series A) were issued for \$80,265,000. The proceeds of which are used to (i) advance refund a portion of the District's outstanding General Obligation Bonds, Series 2006B, and (ii) pay the costs of issuance associated with Tax-Exempt Refunding Series A.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 8 – GENERAL OBLIGATION BONDS: (continued)**

**B. Measure M Series (continued)**

The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$11,635,262. Amortization of \$1,034,244 was recognized during the fiscal year 2014-15.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Tax-Exempt Refunding Series A included a premium of \$18,531,685. This amount is amortized using the straight-line method. Amortization of \$1,647,261 was recognized during the 2014-15.

4. Taxable General Obligation Refunding Bonds, Series B (Taxable Refunding Series B) were issued for \$35,475,000. The proceeds of which and of the Tax-Exempt Refunding Series A are used to (i) advance refund a portion of the District's outstanding General Obligation Bonds, 2005 Refunding, and (ii) pay the costs of issuance associated with Taxable Refunding Series B.

**Payments- Measure M Series**

**Series 2013A**

The annual requirements to amortize Series 2013A bonds payable, outstanding as of June 30, 2015, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Current Interest Component</u>	<u>Total</u>
2016	\$ 14,415,000	\$ 7,143,175	\$ 21,558,175
2017	9,085,000	6,865,675	15,950,675
2018	1,185,000	6,711,625	7,896,625
2019	825,000	6,681,475	7,506,475
2020	1,920,000	6,630,700	8,550,700
2021-2025	16,020,000	31,538,500	47,558,500
2026-2030	29,730,000	26,412,900	56,142,900
2031-2035	48,360,000	18,159,475	66,519,475
2036-2039	56,440,000	5,352,625	61,792,625
	<u>\$ 177,980,000</u>	<u>\$ 115,496,150</u>	<u>\$ 293,476,150</u>

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 8 – GENERAL OBLIGATION BONDS: (continued)**

**B. Measure M Series (continued)**

**Payments- Measure M Series (continued)**

**Series 2013B**

The annual requirements to amortize Series 2013B bonds payable, outstanding as of June 30, 2015, are as follows:

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Current Interest Component</b>	<b>Total</b>
2016	\$ 1,985,000	\$ 83,102	\$ 2,068,102
2017	2,000,000	68,816	2,068,816
2018	2,015,000	46,896	2,061,896
2019	2,040,000	16,708	2,056,708
	<u>\$ 8,040,000</u>	<u>\$ 215,522</u>	<u>\$ 8,255,522</u>

**Tax-Exempt Refunding Series A**

The annual requirements to amortize Tax-Exempt Refunding Series A bonds payable, outstanding as of June 30, 2015, are as follows:

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Current Interest Component</b>	<b>Total</b>
2016	\$ 80,000	\$ 3,847,950	\$ 3,927,950
2017	85,000	3,845,475	3,930,475
2018	4,090,000	3,762,400	7,852,400
2019	5,115,000	3,578,300	8,693,300
2020	6,225,000	3,320,375	9,545,375
2021-2025	63,295,000	9,434,625	72,729,625
	<u>\$ 78,890,000</u>	<u>\$ 27,789,125</u>	<u>\$ 106,679,125</u>

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 8 – GENERAL OBLIGATION BONDS: (continued)**

**B. Measure M Series (continued)**

**Payments- Measure M Series (continued)**

**Taxable Refunding Series B**

The annual requirements to amortize Taxable Refunding Series B bonds payable, outstanding as of June 30, 2015, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Current Interest Component</u>	<u>Total</u>
2016	\$ 985,000	\$ 519,616	\$ 1,504,616
2017	6,880,000	487,681	7,367,681
2018	6,925,000	412,320	7,337,320
2019	7,030,000	308,416	7,338,416
2020	7,140,000	180,654	7,320,654
2021-2024	<u>4,875,000</u>	<u>55,234</u>	<u>4,930,234</u>
	<u>\$ 33,835,000</u>	<u>\$ 1,963,921</u>	<u>\$ 35,798,921</u>

**C. Outstanding Bonded Debt**

The outstanding bonded debt for Coast Community College District at June 30, 2015 is:

	<u>Issue Date</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2014</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2015</u>
<b>Measure C</b>								
Series A	4/17/2003	2.50 - 5.50	8/1/2016	\$ 110,000,000	\$ 1,835,000	\$	\$ 605,000	\$ 1,230,000
2005 Refunding	3/10/2005	3.00 - 5.25	8/1/2022	74,893,867	14,098,867		5,600,000	8,498,867
Accreted Interest					5,069,590	770,295		5,839,885
2006B	6/28/2006	3.63 - 5.00	8/1/2030	149,859,831	53,959,831		785,000	53,174,831
Accreted Interest					23,853,732	3,671,489		27,525,221
2006C	6/28/2006	3.63 - 5.00	8/1/2036	110,140,169	110,140,169			110,140,169
Accreted Interest					49,819,350	2,177,128		51,996,478
<b>Measure M</b>								
2013A	5/29/2013	1.50 - 5.00	8/1/2038	190,000,000	190,000,000		12,020,000	177,980,000
2013B	5/29/2013	0.45 - 1.64	8/1/2018	10,000,000	10,000,000		1,960,000	8,040,000
Refunding Series A	5/29/2013	2.00 - 5.00	8/1/2024	80,265,000	78,970,000		80,000	78,890,000
Refunding Series B	5/29/2013	0.35 - 2.27	8/1/2020	35,475,000	34,815,000		980,000	33,835,000
				<u>\$ 760,633,867</u>	<u>\$ 572,561,539</u>	<u>\$ 6,618,912</u>	<u>\$ 22,030,000</u>	<u>557,150,451</u>
							Unamortized bond premium	32,594,704
							Total	<u>\$ 589,745,155</u>

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 9 - LONG-TERM DEBT:**

A schedule of changes in long-term debt for the year ended June 30, 2015 is shown below:

<b>Governmental</b>	Balance 7/1/2014*	Additions	Deductions	Balance 6/30/2015	Amount Due in One Year
Compensated absences	\$ 4,659,551	\$ 510,968	\$	\$ 5,170,519	\$ 741,457
Capital leases	598,593		161,379	437,214	168,919
Net pension liability	179,715,628		42,810,967	136,904,661	
General Obligation Bonds:					
Bonds payable	493,818,867		22,030,000	471,788,867	25,640,000
Bond premium	35,054,982		2,460,278	32,594,704	
Accreted interest	<u>78,742,672</u>	<u>6,618,912</u>		<u>85,361,584</u>	
Totals	<u>\$ 792,590,293</u>	<u>\$ 7,129,880</u>	<u>\$ 67,462,624</u>	<u>\$ 732,257,549</u>	<u>\$ 26,550,376</u>
<b>Fiduciary</b>	Balance 7/1/2014*	Additions	Deductions	Balance 6/30/2015	Amount Due in One Year
Net pension liability	\$ 1,719,325	\$	\$ 525,693	\$ 1,193,632	
Totals	<u>\$ 1,719,325</u>	<u>\$ -</u>	<u>\$ 525,693</u>	<u>\$ 1,193,632</u>	<u>\$ -</u>

\* Prior year amounts have been adjusted for the implementation of GASB No. 68 and No. 71. See Note 15.

Liabilities for compensated absences and the net pension liability are liquidated by the governmental funds in which related salaries are recorded. Capital leases are liquidated by the General fund while the general obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 - EMPLOYEE RETIREMENT PLANS:**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

As of June 30, 2015, the District reported its proportionate share of the net pension liabilities, pension expense, deferred outflows of resources and deferred inflow of resources for each retirement plan as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 79,474,320	\$ 6,022,305	\$ 19,570,400	\$ 6,861,200
CalPERS	<u>58,623,973</u>	<u>6,678,600</u>	<u>23,497,904</u>	<u>4,053,905</u>
Totals	<u>\$ 138,098,293</u>	<u>\$ 12,700,905</u>	<u>\$ 43,068,304</u>	<u>\$ 10,915,105</u>

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 the California State Teachers' Retirement System (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.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)**

**California State Teachers' Retirement System (CalSTRS) (continued)**

**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 to the STRP Defined Benefit Program and the Defined Benefit Supplement Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>STRP Defined Benefit Program &amp; Supplement Program</u>	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date		
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	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

**COAST COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)**

**California State Teachers' Retirement System (CalSTRS) (continued)**

**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 contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2015 are presented above and the total District contributions were \$6,022,305.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District proportionate share of net pension liability	\$	79,474,320
State's proportionate share of the net pension liability associated with the District		<u>47,990,508</u>
Total	\$	<u><u>127,464,828</u></u>

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 school districts and the State, actuarially determined. At June 30, 2014, the District's proportion was 0.1360%.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)**

**California State Teachers' Retirement System (CalSTRS) (continued)**

For the year ended June 30, 2015, the District recognized pension expense of \$6,861,200 and revenue of \$4,143,130 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,022,305	\$
Net differences between projected and actual earnings on plan investments		19,570,400
Total	\$ 6,022,305	\$ 19,570,400

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 year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed 5-year period and will be recognized in pension expense as follows:

Year Ended June 30	Amortization
2016	\$ 4,892,600
2017	4,892,600
2018	4,892,600
2019	4,892,600
	\$ 19,570,400

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)**

**California State Teachers' Retirement System (CalSTRS) (continued)**

**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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
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 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:

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)**

**California State Teachers' Retirement System (CalSTRS) (continued)**

**Actuarial Methods and Assumptions (continued)**

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%. 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%) 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%)	\$ 123,879,680
Current discount rate (7.60%)	79,474,320
1% increase (8.60%)	42,448,320

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)**

**California State Teachers' Retirement System (CalSTRS) (continued)**

**Plan Fiduciary Net Position**

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

**California Public Employees Retirement System (CalPERS)**

**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (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.

**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 5 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 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)**

**California Public Employees Retirement System (CalPERS) (continued)**

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	<u>On or Before December 31, 2012</u>	<u>On or after January 1, 2013</u>
Hire date	2% at 55	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	55	62
Retirement age	1.1% - 2.5%	1.0% - 2.5%
Monthly benefits as a percentage of eligible compensation	6.974%	6.000%
Required employee contribution rate	11.771%	11.771%
Required employer contribution rate		

**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 the July 1 following notice of a change in the rate. Total plan contributions are determined 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, 2015 are presented above and the total District contributions were \$6,678,600.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$58,623,973. 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 school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.5164%.

**COAST COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)**

**California Public Employees Retirement System (CalPERS) (continued)**

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

For the year ended June 30, 2015, the District recognized pension expense of \$4,053,9050. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 6,678,600	\$
Changes in proportion		3,354,050
Net differences between projected and actual earnings on plan investments		20,143,854
Total	<u>\$ 6,678,600</u>	<u>\$ 23,497,904</u>

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 year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed 5-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amortization</u>
2016	\$ 6,192,532
2017	6,192,532
2018	6,076,875
2019	5,035,965
	<u>\$ 23,497,904</u>

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)**

**California Public Employees Retirement System (CalPERS) (continued)**

**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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

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 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)**

**California Public Employees Retirement System (CalPERS) (continued)**

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. 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 (6.50%)	\$ 102,839,832
Current discount rate (7.50%)	58,623,973
1% increase (8.50%)	21,677,166

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)**

**California Public Employees Retirement System (CalPERS) (continued)**

**Plan Fiduciary Net Position**

Detailed information about CalPERS School Employer plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**Public Agency Retirement System (PARS)**

**Plan Description**

The Public Agency Retirement System (PARS) is a defined contribution plan qualifying under §401(a) and §501 of the Internal Revenue Code. The plan covers part-time, seasonal and temporary employees and employees not covered by §3121(b)(7)(F) of the Internal Revenue Code. The benefit provisions and contribution requirements of plan members and the District are established and may be amended by the PARS Board of Trustees.

**Funding Policy**

Contributions of 7.5% of covered compensation of eligible employees are made by the employer and employee. Total contributions, employer and employee combined, were made in the amount of \$678,590 during the fiscal year. The total amount of covered compensation was \$10,949,711. Total contributions made are 100% of the amount of contributions required for fiscal year 2014-15.

**NOTE 11 – POSTEMPLOYMENT HEALTHCARE BENEFITS:**

**Plan Description**

The District administers a single-employer defined benefit healthcare plan. The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. The District reports the financial activity of the plan as a trust fund in these financial statements and no separate financial report is prepared.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 11 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)**

**Eligibility**

Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. For employees participating in STRS and CalPERS, the eligibility requirement is a minimum age of 55 and a minimum ten years of service with the District. Additional age and service criteria may be required.

Retirees and beneficiaries receiving benefits	1,025
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>1,337</u>
Total	<u>2,362</u>

**Funding Policy**

The contribution requirements are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements, with an annual adjustment to fully fund the actuarial determined annual required contribution. The District contributes 100 percent of the cost of current year premiums for eligible retired plan members and their spouses up to age 70 and \$4,000 maximum per year beyond age 70 until death. For fiscal year ended June 30, 2015, the District contributed \$6,622,607 to the plan.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 11 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

Annual required contribution (ARC)	\$ 6,409,590
Interest on net OPEB obligation	(1,014,117)
Adjustment to annual required contribution	1,066,808
Annual OPEB cost (expense)	<u>6,462,281</u>
Contributions made	<u>(6,622,607)</u>
Change in net OPEB obligation	(160,326)
Net OPEB Asset - Beginning of Year	(14,913,485)
Net OPEB Asset - End of Year	<u>\$ (15,073,811)</u>

The District’s annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB asset for fiscal year ended June 30, 2015 was as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
6/30/2013	\$ 8,175,071	89.5%	\$ 9,673,643
6/30/2014	6,443,768	181.3%	14,913,485
6/30/2015	6,462,281	102.48%	15,073,811

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 11 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)**

**Funding Status and Funding Progress**

As of June 1, 2014, the most recent actuarial valuation date, the actuarial value of plan assets was \$57,147,580 and the plan was 61.58% funded. The actuarial accrued liability for benefits was \$92,803,617 and the unfunded actuarial accrued liability (UAAL) was \$35,656,037. The covered payroll (annual payroll of active employees covered by the plan) was \$122,381,856, and the ratio of the UAAL to the covered payroll was 29.14%. The District has established an irrevocable trust administered by the Retiree Health Benefit Program Joint Powers Agreement (JPA) organized by the Community College League of California. The required schedule of employer contributions presents trend information about the amounts contributed to the plan by employers in comparison to the annual required contribution (ARC).

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

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 11 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)**

**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 plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

In the June 1, 2014 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 6.8 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates included a 2.75 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The initial UAAL is being amortized as a level percent of projected payroll on a closed basis. The residual UAAL is amortized as a level percent of projected payroll on an open basis. The remaining amortization period will expire on June 30, 2028.

**NOTE 12 - JOINT POWERS AGREEMENT:**

The District participates in four Joint Powers Authority (JPA) entities by written agreement; the Protected Insurance Program for Schools (PIPS), the Schools Association for Excess Risk (SAFER), the Statewide Education Wrap Up Program (SEWUP), and the Statewide Association of Community Colleges (SWACC).

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 12 - JOINT POWERS AGREEMENT: (continued)**

PIPS is a California Joint Power Authority (JPA) insurance pool and provides workers' compensation reinsurance protection to its public schools and community college membership throughout California. This is a finite risk sharing pool that transfers risk away from the members to the insurance market. Member premiums are determined based on payroll expense and District loss experience based upon claims incurred.

The SAFER Joint Power Authority is a general liability and property loss excess insurance pool which provides coverage for liability losses from \$1,000,000 to \$50,000,000 for liability, and \$5,000,000 to \$250,000,000 for excess property coverage, dependent upon selected coverage sought by each member.

The SEWUP Joint Power Authority is a consolidated, owner-controlled construction insurance program covering liability, property, and workers' compensation job-site risks of construction activities for District projects. District as Owner, Construction Manager, General Contractor, contractors and sub-contractors of all tiers. SEWUP Membership is comprised of 400 California Schools and Community College Districts. Premiums are determined for each construction project or projects.

The Statewide Association of Community Colleges Joint Power authority ("SWACC") was established to provide a comprehensive program of property and liability coverage for more than 80 community colleges in California. The program's general objectives are to formulate, develop and administer, on behalf of the member public agencies, a program of insurance, to obtain lower costs for that coverage, and to develop comprehensive loss control programs.

Each of the above JPAs is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA, including selection of management and approval of members, independent of any influence by the Coast Community College District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. Each JPA maintains its own accounting records. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The relationships between the Coast Community College District and the JPAs are such that none of the JPAs are component units of the District for financial reporting purposes.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 12 - JOINT POWERS AGREEMENT: (continued)**

The most recent condensed financial information available for PIPS, SAFER, SEWUP, and SWACC is as follows:

	PIPS 6/30/2014 (Unaudited)	SAFER 6/30/2014 (Audited)	SEWUP 6/30/2014 (Audited)	SWACC 6/30/2014 (Unaudited)
Total assets	\$ 101,635,390	\$ 6,441,498	\$ 16,962,655	\$ 54,045,044
Total liabilities	<u>89,564,503</u>	<u>5,916,290</u>	<u>13,988,830</u>	<u>23,536,002</u>
Retained earnings	<u>\$ 12,070,887</u>	<u>\$ 525,208</u>	<u>\$ 2,973,825</u>	<u>\$ 30,509,042</u>
Total revenues	\$ 18,271,889	\$ 1,373,518	\$ 9,493,317	\$ 18,715,567
Total expenditures	<u>22,602,717</u>	<u>3,121,411</u>	<u>10,378,711</u>	<u>19,449,490</u>
Net increase/(decrease) in retained earnings	<u>\$ (4,330,828)</u>	<u>\$ (1,747,893)</u>	<u>\$ (885,394)</u>	<u>\$ (733,923)</u>

**NOTE 13 - INTERNAL SERVICE FUND:**

The District is exposed to various risks of loss related injuries to employees and medical claims. During the fiscal year, the District maintained an Internal Service Fund to account for and finance its uninsured risks of loss. The Self Insurance Fund provides coverage for up to a maximum of \$250,000 for each worker's compensation claim filed prior to June 30, 1998. Beginning July 1, 1998, the District is fully insured for workers' compensation. The Self Insurance Fund also provides for a maximum of \$275,000 for each claim each plan year for medical claims. The District purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior and current year claims and premiums.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 13 - INTERNAL SERVICE FUND: (continued)**

At June 30, 2015, the District accrued the claims liability in accordance with GASB standards, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The present value of the liability is estimated at \$3,053,991. Changes in the reported liability are shown below:

	<b><u>Beginning Fiscal Year Liability</u></b>	<b><u>Current Year Claims and Changes in Estimates</u></b>	<b><u>Claim Payments</u></b>	<b><u>Ending Fiscal Year Liability</u></b>
Workers' Compensation	\$ 642,290	\$ (44,247)	\$ 84,117	\$ 513,926
Health and Other Benefits	<u>2,361,989</u>	<u>22,266,664</u>	<u>22,088,588</u>	<u>2,540,065</u>
	<u>\$ 3,004,279</u>	<u>\$22,222,417</u>	<u>\$ 22,172,705</u>	<u>\$3,053,991</u>

**NOTE 14 - FUNCTIONAL EXPENSE:**

Operating expenses are reported by natural classification in the statement of revenues, expenses and change in net position. A schedule of expenses by functions is shown below.

	<b><u>Employee Salaries &amp; Benefits</u></b>	<b><u>Supplies, Material, &amp; Other Expenses &amp; Services</u></b>	<b><u>Financial Aid</u></b>	<b><u>Depreciation</u></b>	<b><u>Total</u></b>
Instructional Activities	\$ 85,592,575	\$ 1,864,759	\$	\$	\$ 87,457,334
Academic Support	19,663,479	1,536,047			21,199,526
Student Services	26,700,020	1,620,776			28,320,796
Operation & Maintenance of Plant	8,853,493	3,093,550			11,947,043
Institutional Support Services	32,627,655	7,851,555			40,479,210
Community Services & Economic Development	414,894	4,337			419,231
Ancillary Services & Auxiliary Operations	19,806,896	2,424,585			22,231,481
Physical Property & Related Acquisitions	1,327,159	23,314,934			24,642,093
Student Aid, Transfers, & Other Outgo			61,711,778		61,711,778
Depreciation Expense				<u>18,545,440</u>	<u>18,545,440</u>
Total	<u>\$ 194,986,171</u>	<u>\$ 41,710,543</u>	<u>\$ 61,711,778</u>	<u>\$ 18,545,440</u>	<u>\$ 316,953,932</u>

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 15 – CUMMULATIVE EFFECT OF ACCOUNTING CHANGES AND RESTATEMENT TO BEGINNING NET POSITION AND NEGATIVE NET POSITION:**

The beginning net position of the basic financial statements has been restated by a reduction of \$168,638,543 in the governmental funds and a reduction of \$1,595,434 in the fiduciary associated student organization fund to recognize the beginning balance of the net pension liability and deferred outflows of resources resulting from the implementation of GASB Statements No. 68 and No. 71.

The effect of this implementation has resulted in a negative net position at June 30, 2015 for the primary government. The retirement plan administrators for CalSTRS and CalPERS will require increases in contribution amounts to reduce the net pension liability in future years. The District has budgeted for increased contributions in the 2016 year.

**NOTE 16 - COMMITMENTS AND CONTINGENCIES:**

**A. Litigation**

The District is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

**B. State and Federal Allowances, Awards and Grants**

The District has received state and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

**C. Purchase Commitments**

As of June 30, 2015, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$30,755,072. Projects will be funded through bond proceeds, state funds and general funds.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 17 – SUBSEQUENT EVENT:**

On October 15, 2015, the District issued 2015 General Obligation Refunding Bonds in the aggregate principal amount of \$162,855,806 to advance refund the District's outstanding Election of 2002 General Obligation Bonds, Series 2006C, and to pay the costs of issuing the Bonds.

**NOTE 18 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2015, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

***Statement No. 72 - Fair Value Measurement and Application***

This statement was issued in February 2015 and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements by establishing a hierarchy of inputs to valuation techniques used to measure fair value. The statement is effective for the fiscal year 2015-16.

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

This statement was issued in June 2015 and extends the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. The object is to provide information about financial support provided by certain non-employer entities for pensions that are provided to the employees of other entities and that are not within the scope of Statement No. 68 and to provide information about the effects of pension-related transactions and other events on the elements of the basic financial statements of state and local governmental employers. The statement is effective for the fiscal year 2015-16 except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the fiscal year 2016-17.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 18 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS  
ISSUED, NOT YET EFFECTIVE: (continued)**

***Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans***

This statement was issued in June 2015 and establishes standards of financial reporting for defined benefit OPEB plans and defined contribution OPEB plans. This statement is closely related in some areas to Statement No. 75. The statement is effective for the fiscal year 2016-17.

***Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***

This statement was issued in June 2015 and establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB. The statement also establishes requirements for reporting information about financial support provided by certain non-employer entities for OPEB that is provided to the employees of other entities. This statement is closely related in some areas to Statement No. 74. The statement is effective for the fiscal year 2017-18.

***GASB Statement No. 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments***

This statement was issued in June 2015 and 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. The statement is effective for the fiscal year 2015-16.

**REQUIRED SUPPLEMENTARY INFORMATION**

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
STATE TEACHERS' RETIREMENT PLAN  
For the Fiscal Year Ended June 30, 2015

	<u>2015</u>
District's proportion of the net pension liability (assets)	0.1360%
District's proportionate share of the net pension liability (asset)	\$ 79,474,320
State's proportionate share of the net pension liability (asset) associated with the District	<u>47,990,508</u>
Total	<u>\$127,464,828</u>
District's covered-employee payroll reported as of the period fiscal year to align with the measurement date at the net pension liability	\$ 60,100,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	132.24%
Plan fiduciary net position as a percentage of the total pension liability	77.00%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT PLAN  
For the Fiscal Year Ended June 30, 2015**

	<u>2015</u>
District's proportion of the net pension liability (assets)	0.5164%
District's proportionate share of the net pension liability (asset)	\$58,623,973
District's covered-employee payroll reported as of the period fiscal year to align with the measurement date at the net pension liability	\$53,300,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	109.99%
Plan fiduciary net position as a percentage of the total pension liability	83.37%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**STATE TEACHERS' RETIREMENT PLAN**

**For the Fiscal Year Ended June 30, 2015**

	<u><b>2015</b></u>
Contractually required contribution	\$ 6,022,305
Contributions in relation to the contractually required contribution	<u>6,022,305</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 67,800,000
Contributions as a percentage of covered- employee payroll	8.88%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT PLAN**  
**For the Fiscal Year Ended June 30, 2015**

	<b>2015</b>
Contractually required contribution	\$ 6,678,600
Contributions in relation to the contractually required contribution	6,678,600
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$56,700,000
Contributions as a percentage of covered-employee payroll	11.77%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS**

**For the Fiscal Year Ended June 30, 2015**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Entry Age Normal Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
05/01/2010	\$ 29,483,684	\$ 90,506,727	\$ 61,023,043	32.50%	\$ 107,075,771	57.00%
05/01/2012	43,568,462	99,096,647	55,528,185	43.97%	123,264,116	45.05%
06/01/2014	57,147,580	92,803,617	35,656,037	61.58%	122,381,856	29.14%

See the accompanying notes to the required supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS**  
**EMPLOYER CONTRIBUTIONS**  
**For the Fiscal Year Ended June 30, 2015**

<b>Year Ended June 30,</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2013	\$ 8,124,575	90.05%
2014	6,409,590	182.28%
2015	6,409,590	103.32%

See the accompanying notes to the required supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2015**

**NOTE 1 - PURPOSE OF SCHEDULES:**

**A. Schedules of District's Proportionate Share of the Net Pension Liability – STRP and PERS – Schools Pool Plan**

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

**B. Schedules of District Contributions – STRP and PERS – Schools Pool Plan**

The schedule presents information on the District's required contributions, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

**C. Schedule of Postemployment Healthcare Benefits Funding Progress**

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

**D. Schedule of Postemployment Healthcare Benefits Employer Contributions**

The schedule is intended to show trends about the percentage of the annual required contribution made to the plan.

**SUPPLEMENTARY INFORMATION**

## COAST COMMUNITY COLLEGE DISTRICT

### HISTORY AND ORGANIZATION

June 30, 2015

The Coast Community College District encompasses approximately 105 square miles located in Orange County. The District currently operates Coastline College, Golden West College, Orange Coast College, and the District site. The District serves a large population in Orange County, which covers the communities of Costa Mesa, Fountain Valley, Garden Grove, Huntington Beach, Midway City, Newport Beach, Santa Ana, Seal Beach/Surfside, Stanton, Sunset Beach and Westminster. The Chancellor is the chief administrative officer and is assisted by vice chancellors, deans, directors, division chairpersons, and members of the faculty in bringing educational excellence to the community. The Board of Trustees has five members elected at large to overlapping four-year terms.

#### **BOARD OF TRUSTEES**

<u>Member</u>	<u>Office</u>	<u>Term Expiration</u>
Dr. Lorraine Prinsky	President	2016
Mr. David A. Grant	Vice President	2018
Ms. Mary L. Hornbuckle	Clerk of the Board	2016
Mr. Jerry Patterson	Trustee	2016
Mr. Jim Moreno	Trustee	2018
Mr. Quentin Cronk	Student Trustee	2015-2016

#### **DISTRICT EXECUTIVE OFFICERS**

Mr. Gene Farrell	Interim Chancellor
Dr. Dennis Harkins	President, Orange Coast College
Mr. Wes Bryan	President, Golden West College
Dr. Loretta Adrian	President, Coastline Community College
Dr. Andrew Dunn	Vice Chancellor, Finance and Administrative Services
Dr. Cynthia Vyskocil	Vice Chancellor, Human Resources
Dr. Andreea M. Serban	Vice Chancellor, Educational Services and Technology

**COAST COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2015**

	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Program Expenditures</u>
<b><u>U.S. Department of Education:</u></b>			
Direct:			
Student Financial Aid Cluster:			
Federal Work Study	84.033	N/A	\$ 511,514
Federal Perkins Loan	84.038	N/A	63,422
Pell Grant	84.063	N/A	49,034,043
Financial Aid Administrative Allowance	84.063	N/A	116,703
Federal Supplemental Educational Opportunity Grant	84.007	N/A	1,010,002
Federal Direct Student Loans	84.268	N/A	<u>7,291,294</u>
Subtotal: Student Financial Aid Cluster			58,026,978
Pacific Bridge - Asian American and Pacific Islander Students	84.031L	N/A	619,418
Title III - Access 2 Success	84.031A	N/A	<u>502,936</u>
Subtotal: Direct Programs			<u>59,149,332</u>
Passed through from the California Community Colleges Chancellor's Office:			
Career and Technical Education (CTE):			
CTE Title I, Part C - Carl D. Perkins	84.048A	(1)	981,520
CTE Transitions	84.048A	(1)	111,962
CTE Data Accountability	84.048A	13-172-001	100,339
Passed through from the California Department of Education:			
English Literacy and Civic Education	84.002A	(1)	15,420
Adult Education and Family Literacy Act- ESL -231 Grant	84.002A	(1)	<u>49,451</u>
Subtotal: Passed Through Programs			<u>1,258,692</u>
Total: U.S. Department of Education			<u>60,408,024</u>
<b><u>U.S. Department of Agriculture</u></b>			
Passed through from the California Department of Education:			
Child Care Food Program	10.558	(1)	<u>73,244</u>
<b><u>U.S. Department of Health and Human Services:</u></b>			
Passed through from the California Community Colleges Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	118,991
Passed through from the California Department of Education:			
Child Care and Development Block Grant	93.575	15136	43,710
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	79,446
Passed through from the Yosemite Community College District:			
Child Development Training Consortium	93.575	(1)	<u>22,500</u>
Subtotal: Passed Through Programs			<u>264,647</u>
Total: U.S. Department of Health and Human Services			<u>264,647</u>
<b><u>National Science Foundation</u></b>			
Passed through from Collin County Community College District, State of Texas			
National Convergence Technology Center	47.076	DUE-1205077	13,020
Passed through from Whatcome Community College			
CyberWatch West	47.076	DUE-1361636	<u>71,816</u>
Subtotal: Passed Through Programs			84,836
<b><u>U.S. Department of the Interior</u></b>			
Passed through from Department of Parks and Recreation			
Aquatic Center	15.622	68106	<u>41,990</u>
<b><u>U.S. Department of Justice:</u></b>			
Direct			
Virtual Interactive Training Simulator Project	16.753	N/A	<u>16,686</u>
Total: U.S. Department of Justice			<u>16,686</u>
<b><u>U.S. Department of Labor</u></b>			
Passed through County of Orange Housing and Community Services Department:			
Workforce Investment Act (WIA) Cluster:			
WIA - ITA Training Provider	17.258	R865476	<u>59,329</u>
Subtotal: WIA Cluster			<u>59,329</u>
Total Federal Program Expenditures			<u>\$ 60,948,756</u>

See the accompanying notes to the supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS  
For the Fiscal Year Ended June 30, 2015**

Program Name	Program Revenues					Total	Total Program Expenditures
	Cash Received	Prior Year Unearned Revenue	Accounts Receivable	Unearned Revenue	Accounts Payable		
State Categorical Aid Programs:							
AB 86 Adult Consortium Planning	\$ 272,863	\$	\$	\$ 45,603	\$	\$ 227,260	\$ 227,260
Alignment of Postsecondary Small Business/Entrepreneurship Prgm. SB1070	4,850					4,850	4,850
Basic Skills (S.F.A.A)	387,822	693,812		385,814		695,820	695,820
Cal Grant	2,853,225	724,105		398,761		3,178,569	3,178,569
Cal Works	525,869			13		525,856	525,856
California Community Colleges Student Mental Health	32,382		11,321			43,703	43,703
Career Technical Education Community Collaborative	229,052					229,052	229,052
Career Technical Education Enhancement	304,350			170,622		133,728	133,728
Career Technical Education Pathways Initiative	711,797	60,532		489,676		282,653	282,653
Career Technical Education Statewide Evaluation	443,790					443,790	443,790
Child Development Apportionment	107,991					107,991	107,991
Child Development Preschool Program	99,647					99,647	99,647
Deputy Sector Navigator Small Business - Rancho Santiago CCCD	7,800					7,800	7,800
Disabled Student Programs & Service (DSPS)	3,171,984					3,171,984	3,171,984
Economic & Workforce Development- Deputy Sector Navigator - Health	80,000		212,571			292,571	292,571
Economic Opportunity (EOPS)	2,338,391					2,338,391	2,338,391
EOPS-Coop Agency Resource Education (CARE)	148,925					148,925	148,925
Faculty Entrepreneurship Champion Mini-grant			4,924			4,924	4,924
Global Trade & Logistics - Rancho Santiago Community College District	4,000	4,000				8,000	8,000
Instructional Equipment & Library Materials	500,000	128,442				628,442	628,442
Lottery-Restricted Materials	249,061	186,024	1,160,073	631,878		963,280	963,280
Mental Health Training CA Law Enforcement			57,369			57,369	57,369
Nursing Education - AS RN Enrollment Growth Retention	183,737					183,737	183,737
Orange County Career Pathways Partnership (OCCPP) Program	500,000			347,944		152,056	152,056
Perkins Title I-B Leadership	17,071					17,071	17,071
Sector Navigator- Information Communications Technology/Digital Media	28,050		18,700			46,750	46,750
Staff Development		5,979		2,996		2,983	2,983
State Capital Outlay (Prop 39)	919,343					919,343	919,343
State Hospitals (Fairview Handicapped)	592,817					592,817	592,817
Students Creating Mobile Apps	5,163					5,163	5,163
Student Success Credit	5,470,832	598,720		2,108,331		3,961,221	3,961,221
Student Success-CCC-Non Credit	46,528					46,528	46,528
Student Equity Program	1,518,608			1,362,722		155,886	155,886
<b>Total State Programs</b>	<b>21,755,948</b>	<b>2,401,614</b>	<b>1,464,958</b>	<b>5,944,360</b>	<b>-</b>	<b>19,678,160</b>	<b>19,678,160</b>

See the accompanying notes to the supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT  
ANNUAL (ACTUAL) ATTENDANCE  
For the Fiscal Year Ended June 30, 2015**

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2014 only)			
1. Noncredit <sup>1</sup>	11.00		11.00
2. Credit	1,386.59		1,386.59
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)			
1. Noncredit <sup>1</sup>	-		-
2. Credit	0.78		0.78
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	20,893.86		20,893.86
(b) Daily Census Contact Hours	1,219.68		1,219.68
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit <sup>1</sup>	234.20		234.20
(b) Credit	1,233.24		1,233.24
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	4,204.09		4,204.09
(b) Daily Census Contact Hours	1,741.03		1,741.03
(c) Noncredit Independent Study/Distance Education Courses	-		-
D. Total FTES	<u>30,924.47</u>	<u>-</u>	<u>30,924.47</u>
Supplemental Information (subset of above information)			
E. In-Service Training Courses (FTES)	6.28		6.28
H. Basic Skills courses and Immigrant Education			
(a) Noncredit <sup>1</sup>	192.32		192.32
(b) Credit	2,882.26		2,882.26
<b><u>CCFS 320 Addendum</u></b>			
CDCP Noncredit FTES	-		-
Centers FTES			
(a) Noncredit <sup>1</sup>	-		-
(b) Credit	-		-

<sup>1</sup>Including Career Development and College Preparation (CDCP) FTES

See the accompanying notes to the supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET**  
**REPORT WITH AUDITED FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

The audit resulted in no adjustments to the fund balances reported on the June 30, 2015 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. Additional entries were made to comply with the GASB 34/35 reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

See the accompanying notes to the supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT**  
**RECONCILIATION OF 50 PERCENT LAW CALCULATION**  
**For the Fiscal Year Ended June 30, 2015**

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b><u>Academic Salaries</u></b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	33,010,725		33,010,725	33,010,725		33,010,725
Other	1300	26,963,100		26,963,100	26,966,425		26,966,425
<b>Total Instructional Salaries</b>		<b>59,973,825</b>		<b>59,973,825</b>	<b>59,977,150</b>		<b>59,977,150</b>
<b>Non-Instructional Salaries</b>							
Contract or Regular	1200			-	12,676,450		12,676,450
Other	1400			-	1,710,877		1,710,877
<b>Total Non-Instructional Salaries</b>				-	<b>14,387,327</b>		<b>14,387,327</b>
<b>Total Academic Salaries</b>		<b>59,973,825</b>		<b>59,973,825</b>	<b>74,364,477</b>		<b>74,364,477</b>
<b><u>Classified Salaries</u></b>							
<b>Non-Instructional Salaries</b>							
Regular Status	2100			-	30,270,299		30,270,299
Other	2300			-	2,266,519		2,266,519
<b>Total Non-Instructional Salaries</b>					<b>32,536,818</b>		<b>32,536,818</b>
<b>Instructional Aides</b>							
Regular Status	2200	3,083,542		3,083,542	3,083,543		3,083,543
Other	2400	830,093		830,093	830,093		830,093
<b>Total Instructional Aides</b>		<b>3,913,635</b>		<b>3,913,635</b>	<b>3,913,636</b>		<b>3,913,636</b>
<b>Total Classified Salaries</b>		<b>3,913,635</b>		<b>3,913,635</b>	<b>36,450,454</b>		<b>36,450,454</b>
<b>Employee Benefits</b>	3000	21,218,843		21,218,843	46,239,360		46,239,360
<b>Supplies and Materials</b>	4000			-	1,961,029		1,961,029
<b>Other Operating Expenses</b>	5000			-	17,066,150		17,066,150
<b>Equipment Replacement</b>	6420			-			-
<b>Total Expenditures Prior to Exclusions</b>		<b>85,106,303</b>		<b>85,106,303</b>	<b>176,081,470</b>		<b>176,081,470</b>

See the accompanying notes to the supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT**

**Reconciliation of 50 Percent Law Calculation  
For the Fiscal Year Ended June 30, 2014**

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b><u>Exclusions</u></b>							
<b>Activities to Exclude</b>							
Instructional Staff–Retirees’ Benefits and Retirement Incentives	5900	5,293,100		5,293,100	5,293,100		5,293,100
Student Health Services Above Amount Collected	6441			-	53,693		53,693
Student Transportation	6491			-	572,408		572,408
Non-instructional Staff-Retirees’ Benefits and Retirement Incentives	6740			-	6,875,300		6,875,300
<b>Objects to Exclude</b>							
Rents and Leases	5060			-	931,917		931,917
Lottery Expenditures							
Academic Salaries	1000			-	2,499,092		2,499,092
Classified Salaries	2000			-			-
Employee Benefits	3000			-	737,928		737,928
Supplies and Materials	4000			-			-
Software	4100			-			-
Books, Magazines, & Periodicals	4200			-			-
Instructional Supplies & Materials	4300			-			-
Noninstructional, Supplies & Materials	4400			-			-
Total Supplies and Materials							
Other Operating Expenses and Services	5000			-	1,160,802		1,160,802
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment	6400			-			-
Equipment - Additional	6410			-			-
Equipment - Replacement	6420			-			-
Total Equipment							
Total Capital Outlay							
Other Outgo	7000			-			-
<b>Total Exclusions</b>		5,293,100	-	5,293,100	18,124,240	-	18,124,240
<b>Total for ECS 84362, 50% Law</b>		79,813,203	-	79,813,203	157,957,230	-	157,957,230
<b>Percent of CEE (Instructional Salary Cost / Total CEE)</b>		50.53%	0.0%	50.53%	100%	0%	100%
<b>50% of Current Expense of Education</b>					78,978,615	-	78,978,615

See the accompanying notes to the supplementary information.



**COAST COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**For the Fiscal Year Ended June 30,**

	<u>(Budget) 2016</u>		<u>2015</u>		<u>2014</u>		<u>2013</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b><u>COMBINED GENERAL FUND:</u></b>								
<b><u>Revenue</u></b>								
Federal	\$ 2,956,476	1.16	\$ 3,531,833	1.64	\$ 2,816,405	1.41	\$ 8,300,926	4.31
State	101,582,867	40.03	70,608,383	32.85	64,964,952	32.54	56,284,236	29.25
County, Local, and Other	141,040,087	55.58	139,560,917	64.93	130,445,779	65.34	140,795,051	73.18
Total Revenue	245,579,430	96.77	213,701,133	99.42	198,227,136	99.29	205,380,213	106.74
<b><u>Expenditures</u></b>								
Academic Salaries	73,133,642	28.82	79,773,715	37.12	74,314,744	37.23	70,146,461	36.46
Classified Salaries	54,583,621	21.51	49,131,049	22.86	47,607,579	23.85	47,998,365	24.95
Employee Benefits	54,013,908	21.28	52,063,317	24.22	47,752,590	23.92	48,071,188	24.99
Supplies and Materials	5,004,192	1.97	3,954,261	1.84	3,356,503	1.68	3,981,431	2.07
Other Operating Expenses and Services	60,764,763	23.94	22,813,359	10.61	18,628,617	9.33	18,688,967	9.71
Capital Outlay	2,867,059	1.13	2,759,482	1.28	2,424,939	1.21	2,146,951	1.12
Other Uses	3,412,272	1.34	4,432,854	2.07	5,548,639	2.78	1,362,624	0.70
Total Expenditures	253,779,457	100.00	214,928,037	100.01	199,633,611	100.00	192,395,987	100.00
Other Financing Sources	750,000	0.30	687,768	0.32	500,000	0.25	500,222	0.26
Change in Fund Balance	\$ (7,450,027)	(2.93)	\$ (539,136)	(0.26)	\$ (906,475)	(0.46)	\$ 13,484,448	7.00
Ending Fund Balance	\$ 28,072,588	11.06	\$ 35,522,615	16.53	\$ 36,061,751	18.06	\$ 36,968,226	19.21
Available Reserve Balance	\$ 28,072,588	11.06	\$ 32,464,301	15.10	\$ 31,585,772	15.82	\$ 34,896,710	18.14
Full-time Equivalent Students	32,623		30,924		32,622		30,103	
Total Long-Term Debt	\$ 573,126,025		595,352,888		\$ 612,874,665		\$ 620,226,323	

**IMPORTANT NOTES:**

All percentages are of total unrestricted and restricted expenditures combined.

The 2016 budget is the Plan and Budget adopted by the Board of Trustees on September 2, 2015.

The California Community College Chancellor's Office has provided guidelines that recommend an ending fund balance of 3% of unrestricted expenditures as a minimum with a prudent ending fund balance being 5% of unrestricted expenditures.

Long-term debt is reported for the District as a whole and includes debt related to all funds, excluding the net pension liability.

See the accompanying notes to the supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF BUDGETARY COMPARISON FOR THE COMBINED  
GENERAL FUND**

**For the Fiscal Year Ended June 30, 2015**

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
<b>Revenue from Federal Sources</b>			
Higher Education Act	\$ 1,668,454	\$ 1,247,634	\$ (420,820)
Workforce Investment Act		59,329	59,329
Temporary Assistance for Needy Families (TANF)	118,991	118,991	-
Career and Technical Education Act	1,346,216	1,193,821	(152,395)
Other Federal Revenue	1,165,768	912,058	(253,710)
<b>Revenue from State Sources</b>			
General Apportionments	47,853,168	46,391,550	(1,461,618)
Categorical Apportionments	22,612,216	15,812,009	(6,800,207)
Other State Revenues	6,174,373	8,404,824	2,230,451
<b>Revenue from Local Sources</b>			
Property Taxes	104,939,144	105,715,579	776,435
Interest and Investment Income	180,439	217,746	37,307
Student Fees and Charges	24,887,096	27,489,040	2,601,944
Other Local Revenue	<u>7,729,456</u>	<u>6,826,320</u>	<u>(903,136)</u>
<b>TOTAL REVENUES</b>	<u>218,675,321</u>	<u>214,388,901</u>	<u>(4,286,420)</u>
<b>EXPENDITURES</b>			
Academic Salaries	78,674,810	79,773,715	(1,098,905)
Classified Salaries	51,891,039	49,131,049	2,759,990
Employee Benefits	52,401,743	52,063,317	338,426
Supplies and Materials	5,648,696	3,954,261	1,694,435
Other Operating Expenses & Services	35,061,589	22,813,359	12,248,230
Capital Outlay	4,306,664	2,759,482	1,547,182
Other Uses	<u>1,320,795</u>	<u>1,180,247</u>	<u>140,548</u>
<b>TOTAL EXPENDITURES</b>	<u>229,305,336</u>	<u>211,675,430</u>	<u>17,629,906</u>
Excess (deficiency) of revenues over expenditures	<u>(10,630,015)</u>	<u>2,713,471</u>	<u>13,343,486</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund Transfers Out	<u>(1,353,188)</u>	<u>(3,252,607)</u>	<u>(1,899,419)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,353,188)</u>	<u>(3,252,607)</u>	<u>(1,899,419)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (11,983,203)</u>	<u>(539,136)</u>	<u>\$ 11,444,067</u>
Fund Balances at Beginning of Year		<u>36,061,751</u>	
Fund Balances at End of Year		<u>\$ 35,522,615</u>	

See the accompanying notes to the supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year Ended June 30, 2015**

**NOTE 1 - PURPOSE OF SCHEDULES:**

**A. Schedules of Expenditures of Federal Awards and State Financial Assistance**

The audit of the Coast Community College District for the year ended June 30, 2014 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. The Schedule of Federal Awards and the Schedule of State Financial Assistance was prepared on the modified accrual basis of accounting.

**B. Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance**

The Schedule of Workload Measures for State General Apportionment represents the basis of apportionment of the Coast Community College District's annual source of funding.

**C. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule reports any audit adjustments made to the fund balances of all funds as reported on the Annual Financial and Budget Report (Form CCFS-311).

**D. Reconciliation of 50 Percent Law Calculation**

This schedule reports any audit adjustments made to the 50 percent law calculation (Education Code Section 84362).

**E. Proposition 30 Education Protection Account Expenditure Report**

This schedule reports how funds received from the passage of Proposition 30 Education Protection Act were expended.

**F. Schedule of General Fund Financial Trends and Analysis**

This report is prepared to show financial trends of the General Fund over the past three fiscal years as well as the current year budget. This schedule is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

**COAST COMMUNITY COLLEGE DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year Ended June 30, 2015**

**NOTE 1 - PURPOSE OF SCHEDULES: (continued)**

**G. Schedule of Budgetary Comparison for the Combined General Fund**

Continuing disclosure for the general obligation bond requires a budgetary comparison be presented for the General Fund (combined). This schedule presents the final General Fund budget as of the fiscal year end, actual amounts at fiscal year end and the variance between the final budget and actual amounts.

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

Excesses of expenditures over appropriations, by major object accounts, occurred in the following object:

Academic Salaries	\$1,098,905
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**OTHER 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**

The Board of Trustees  
Coast Community College District  
1370 Adams Avenue  
Costa Mesa, CA 92626

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of Coast Community College District (the District) as of and for the year ended June 30, 2015 and have issued our report thereon dated November 12, 2015.

**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 opinion 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 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness, see finding 2015-001.

**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***

**Compliance and Other Matters**

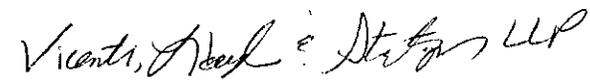
As part of obtaining reasonable assurance about whether Coast Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

**District's Response to Finding**

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

**Purpose of this Report**

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

  
VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California  
November 12, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133**

The Board of Trustees  
Coast Community College District  
1370 Adams Avenue  
Costa Mesa, CA 92626

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

We have audited Coast Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *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, 2015. 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 requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133**

**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, 2015.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as findings 2015-002, 2015-003, 2015-004, and 2015-005. Our opinion on each major federal program is not modified with respect to these matters.

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

**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 OMB Circular A-133, 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133**

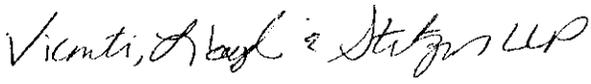
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as findings, 2015-002, 2015-003, 2015-004 and 2015-005, that we consider to be significant deficiencies.

**District's Responses to Findings**

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California  
November 12, 2015

**INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

The Board of Trustees  
Coast Community College District  
1370 Adams Avenue  
Costa Mesa, CA 92626

We have audited the Coast Community College District's (the District) compliance with the types of compliance requirements described in the *2014-15 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2015. The District's State compliance requirements are identified below.

**Management's Responsibility**

Management is responsible for compliance with the state laws and regulations as identified below.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below.

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 *2014-15 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has 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 state compliance. However, our audit does not provide a legal determination of the District's compliance.

**INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE**

**Compliance Requirements Tested**

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

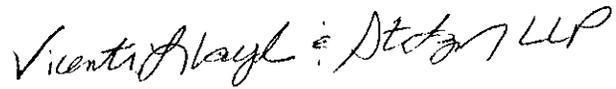
<u>Section</u>	<u>Description</u>	<u>Procedures Performed</u>
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Instructional Service Agreements/Contracts	Yes
424	State General Apportionment Funding System	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Concurrent Enrollment of K-12 Students in Community College Credit Courses	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
438	Student Fees – Health Fees and Use of Health Fee Funds	Yes
439	Proposition 39 Clean Energy Funds	Yes
440	Intersession Extension Program	Not applicable
474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)	Yes
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Yes
490	Proposition 1D State Bond Funded Projects	Yes
491	Proposition 30 Education Protection Account Funds	Yes

In our opinion, the Coast Community College District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2015.

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

### Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2014-15 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California  
November 12, 2015

## **FINDINGS AND RECOMMENDATIONS**

**COAST COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**SUMMARY OF AUDITOR RESULTS**  
**June 30, 2015**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes      No

Significant deficiency identified not considered to be material weaknesses?      Yes X None reported

Noncompliance material to financial statements noted?      Yes X No

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?      Yes X No

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

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

Any audit findings disclosed that are required to be Reported in accordance with Circular A-133, Section .510(a) X Yes      No

*Identification of major programs tested*

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.038, 84.063, and 84.268	Student Financial Aid Cluster
84.048A	Career and Technical Education (CTE) Title I, Part C – Carl D. Perkins, CTE Transitions, and CTE Data Accountability

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes      No

**COAST COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FINANCIAL STATEMENTS**  
**June 30, 2015**

NOTE: Each of the findings and recommendations below include details about the criteria or specific requirements, the condition, the effect and the cause. Questioned costs, if applicable are listed separately. The district response that follows the finding is the District's corrective action plan.

**FINDING 2015-001 – RECONCILIATION AND CLOSING PROCEDURES**

**Finding:** Our audit procedures revealed the lack of a systematic method to ensure complete monthly reconciliations and closing procedures take place. A continuing and growing backlog of accounts that are not reconciled may ultimately cause significant errors in the financial records and statements as well as allow possible irregularities, including fraud, to exist and continue without notice. We noted the following deficiencies:

- The District Office has 14 bank accounts of which four accounts reconciled to the general ledger, four accounts have no bank reconciliation reports, and six bank reconciliations with reports did not reconcile to the general ledger
- Prepaid expenditures in the Self-insurance fund related to 2014-15 activity that should be recorded as expense during the closing process
- No reconciled detail listing for account object 9510, accounts payable
- No reconciled detail listing for account objects such as 91608, 91609, and 951911 related to the grant module
- Journal entries of \$705,378 were recorded and later reversed which caused the beginning balance to not reconcile to the 2013-14 ending fund balance
- No reconciliation process between the campuses' auxiliary funds and the District's Fund 81, which is the control fund for the campuses

**Recommendation:** Establish a system of consistent monthly reconciliations and closing procedures. In addition, in order to provide more accurate financial statements, we strongly recommend the District establish more effective review and reconciliation policies and procedures as a customary part of the accounting process. This would involve monthly reconciliations of all accounts, making adjustments throughout the year that have typically been made at year-end only, and performing more frequent reviews of the general ledger throughout the year.

**COAST COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**FINDING 2015-001 – RECONCILIATION AND CLOSING PROCEDURES**  
**(continued)**

**District Response:** The District implemented the financial aid to student accounts receivable feed processing in which it was anticipated that the District Student Refund Clearing Account would be used as the financial aid and student refund clearing bank account. While actually processing the financial aid feeds and student refunds, the District determined that it worked better for their purposes to utilize the District Credit Card Clearing account as the conduit account for conglomerating all the financial aid funds and processing student refunds. But, the system configuration was not changed. And due to the retirement of the primary accountant responsible for financial aid accounting for the Business Office at the time the new procedures went live, there was very little consulting time left to train the Accounting Manager, who subsequently resigned, the planned, new procedures for financial aid accounting. These two issues created most of the cash balance problems. The bank reconciliations procedure will be changed to incorporate two additional procedures: a) reconciliation of the bank account balances as reflected in the Bank funds to the Banner account or imprest account and b) reconciliation of Financial Aid disbursements to net transfers from Financial Aid bank accounts into the District Credit Card Clearing account. A four-column proof will be performed on all bank accounts which focuses on the reconciliation of deposits and disbursements per bank, to deposits and disbursements per book.

The District will establish a system of monthly reconciliations and closing procedures. These monthly reconciliations will consist of the following: a) documentation supporting the account balance will be included with the reconciliation and b) account reconciliations will be completed and reviewed in a timely manner by creating due dates for reconciliations, and a review of the unidentified differences and post the necessary adjustments while the accounting period is still open. Finally, the account reconciliation process will be reviewed quarterly to identify improvements that help ensure quality, accuracy and completeness of the reconciliations.

**COAST COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FEDERAL AWARDS**  
**June 30, 2015**

**FINDING 2015-002 – ENROLLMENT STATUS REPORTING –NATIONAL STUDENT  
LOAN DATA SYSTEM (NSLDS)**

**CFDA Title and Number:** Student Financial Aid Cluster (84.038, 84.063, and 84.268)

**Federal Award Number and Year:** P268K153665, P268K151139, P268K151161,  
P063P143665, P063P141139, P063P141161, 2014-2015

**Name of Federal Agency:** U.S. Department of Education

**Name of the Pass-through Agency:** Not applicable

**Campus:** Coastline College, Golden West College, and Orange Coast College

**Criteria:** According to 34 CFR sections 682.610, 685.309, and 690.83(b)(2), enrollment information must be reported within 30 days whenever attendance changes for students. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence. The Enrollment Reporting roster file is due within 30 days from the creation of the file that is placed in the institution's Student Aid Internet Gateway.

**Condition:** From a sample of Return to Title IV (R2T4) students, we verified the student withdrawal date used in the calculation matched the date in the system and compared it to the National Student Loan Data System (NSLDS). From the 25 sampled, 12 student NSLDS records contained a withdrawal of which 11 withdrawal dates did not match District records. In addition, all records were updated after the 30 day requirement. The remaining 13 students did not have a withdrawal date on record.

**Questioned Costs:** Not applicable.

**Effect:** Not in compliance with 34 CFR sections 682.610, 685.309, and 690.83(b)(2).

**Recommendation:** Implement procedures to ensure accuracy of withdrawals in the student financial aid system and in the NSLDS. The procedures should include verification of the data and a review of the information submitted. Timely and accurate enrollment reporting is critical for effective management of the program. A student's enrollment status determines eligibility for in-school status, deferment and grace periods, as well as for the payment of interest subsidies on FFEL program loans through the Department of Education.

**COAST COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
RELATED TO FEDERAL AWARDS**

**June 30, 2015**

**FINDING 2015-002 – ENROLLMENT STATUS REPORTING – NATIONAL STUDENT  
LOAN DATA SYSTEM (NSLDS)**

**(continued)**

**District Response:** The financial aid computations for R2T4 are derived from the last withdrawal date from all courses that a student has attended before 60% of the term. The date and fees are loaded into PowerFAIDS (financial aid management system) from Banner (Enterprise Resource Planning System) and the computation is completed in PowerFAIDS based on information transferred daily from Banner to PowerFAIDS. The last date of withdrawal is derived from the course withdrawal date that has been entered in Banner either by the student via the student portal, in-person withdrawal slips submitted by the student, staff entered course specific withdrawal date, or instructor entered course specific withdrawal date.

In some instances, the college or district financial aid office receives notification from the student of withdrawal (unofficial withdrawal) and the student has not officially withdrawn from his/her course(s). When financial aid offices receive the unofficial notification, financial aid staff will enter this date in PowerFAIDS and the R2T4 calculation is based upon this date.

Enabling the existing setup in Banner to display the “last date of attendance” field for each course section in the Banner Self Service where faculty enter course section grades will provide the faculty with the ability to enter the last date of attendance for students. By having the late date of attendance entered by the faculty will enable the financial aid system to have the actual last date of attendance for the student versus a withdrawal date. The last date of attendance would also be used in the NSLDS enrollment file submission. For unofficial withdrawals, the last date of attendance will be updated to reflect the student’s unofficial withdrawal notification.

Because currently there are various systems used – PowerFAIDS for financial aid management and Banner for student, course and fiscal management – confusing date information may result. The District is planning to implement the Financial Aid Module in Banner for the 2017-18 financial aid award year. The implementation of the Banner Financial Aid Module will resolve the date discrepancies for R2T4.

For clarification, CCCD has not offered FFEL loans for the past four years. CCCD only offers the Federal Direct Loan Program and the Perkins Loan Program. The Perkins Loan Program ended on September 30, 2015.

**COAST COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
RELATED TO FEDERAL AWARDS**

**June 30, 2015**

**FINDING 2015-002 – ENROLLMENT STATUS REPORTING –NATIONAL STUDENT  
LOAN DATA SYSTEM (NSLDS)**  
**(continued)**

**National Student Clearinghouse (NSC)/ National Student Loan Data System (NSLDS)  
Status Reporting**

A number of root causes was identified for the mismatching or missing student enrollment status and/or dates in NSLDS. Below, are the Root Causes and the measures put into place to correct and prevent mismatched or missing data in the future:

1.
  - a. Root Cause: Banner SFRNSLC report treats Term Codes as sequential resulting in pulling incorrect dates for students enrolled at more than one College in the District (e.g., pulled the status date for Coastline Community College instead of Orange Coast College because 201433 was higher in the sequence than 201431.
  - b. Measure put in place: Prior to each monthly NSC submission, create/run an internal audit report to list students with Withdrawal status and enrolled at multiple Colleges to determine possible incorrect status and date and correct prior to submission.
2.
  - a. Root Cause: Informal/unofficial withdrawal dates stored in PowerFAIDS and reported directly to NSLDS but not stored in Banner.
  - b. Measure put in place: Financial Aid staff is working with the Banner Student Module team to resolve this issue; either have financial aid staff enter the withdrawal date or forward to the Banner Student Module team to enter the dates.
3.
  - a. Root Cause: Prior version of the SFRNSLC Banner report had an identified defect that under certain conditions pulled the first (minimum) enrollment date from SFRSTCA rather than the withdrawal date from SFBETRM.
  - b. Measure put in place: Defect corrected in later Banner report version and installed in April 2015. Pulls time status dates from SFBETRM only.
4.
  - a. Root Cause: Records rejected from NSC upload process due to EDI edit checks caused by missing data in Banner (e.g., no anticipated graduation date calculated, missing time status) and conflicting data in Banner (e.g., multiple time status records on same day, more than one active and in-effect Program of Study records for the same program at the same College)

**COAST COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
RELATED TO FEDERAL AWARDS**

**June 30, 2015**

**FINDING 2015-002 – ENROLLMENT STATUS REPORTING –NATIONAL  
STUDENT LOAN DATA SYSTEM (NSLDS)**  
**(continued)**

**National Student Clearinghouse (NSC)/ National Student Loan Data System (NSLDS)  
Status Reporting (continued)**

- b. Measure put in place:
  - i. Obtained application from NSC to check all submission records to identify and correct any records with possible EDI checks violations prior to submission.
  - ii. Created custom Banner process to calculate and store anticipated graduation dates in Banner SFAREGS.
  - iii. Created custom Banner process to modify report run dates to allow for multiple running of the SFRNSLC process since the report looks to when the report was last run to determine changes in statuses.
- 5.
  - a. Root Cause: Time lag between submission to NSC and transfer from NSC to NSLDS caused by our submitting to NSC on the 1st and 2nd week of the month which often missed the NSC submission to NSLDS that also occurred the 1st or 2nd week of the month.
  - b. Measure put in place: Moved our scheduled submissions to the NSC up to the week prior to the 1st week of the month.
- 6.
  - a. Root Cause: Awarding of degrees/certificates of students not enrolled in the term awarded and occurred more than 120 days after last day of attendance.
  - b. Measure put in place: Create/run an internal audit report to identify these students obtaining a G status during terms not enrolled. List given to Financial Aid to report manually directly in NSLDS until NSC and NSLDS devise new process for updating late (more than 120 days) graduation statuses.
- 7.
  - a. Root Cause: No process in place for final confirmation and internal audit of NSLDS statuses.
  - b. Measure put in place: On a monthly basis prior to NSC submissions
    - i. Create/run an internal audit report that takes a sample of all Financial Aid students in Banner. List includes enrollment status, dates, and program of study information in Banner. List checked against NSC submission by District Director Research, Planning, and Institutional Effectiveness and against NSLDS by Financial Aid staff.
    - ii. Create/run an internal audit report that lists all Withdrawal status students with their status date. These statuses to be confirmed in NSC by District Director Research, Planning, and Institutional Effectiveness and NSLDS by Financial Aid staff.

**COAST COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FEDERAL AWARDS**  
**June 30, 2015**

**FINDING 2015-003 – RETURN TO TITLE IV**

**CFDA Title and Number:** Student Financial Aid Cluster (84.038, 84.063, and 84.268)

**Federal Award Number and Year:** P268K153665, P268K151139, P268K151161, P063P143665, P063P141139, P063P141161, 2014-2015

**Name of Federal Agency:** U.S. Department of Education

**Name of the Pass-through Agency:** Not applicable

**Campus:** Golden West College

**Criteria:** According to 34 CFR 668.22(l)(3), when a student unofficially drops, the school must ensure that Title IV funds are returned within a reasonable period of time. A school must determine the withdrawal date (for a student who withdrew without providing notification) within 30 calendar days from the earlier of (1) the end of the payment period or period of enrollment, as applicable, (2) the end of the academic year, or (3) the end of the student's educational program.

**Condition:** The District uses the end of the academic year in order to match the payment period when determining the withdrawal date. For all campuses, the last day of school was May 31; therefore, the deadline to determine the withdrawal date was June 30, 2015. The current process is for each campus to run a report of students who receive all F's and/or W's on their official transcript; students are requested to verify their transcript is accurate. Each campus then submits the list to the District Office to perform the R2T4 calculation. Golden West College did not submit its fall semester list until mid-June 2015 which delayed the R2T4 calculation. Once the withdrawal date was determined, the Return to Title IV payment was made within the required 45 days.

**Questioned Costs:** Not applicable.

**Context:** Four out of ten students R2T4 calculation was performed after June 30, 2015. All ten were returned timely, within the 45 day requirement.

**Effect:** Not in compliance with 34 CFR 668.22(l)(3).

**Recommendation:** Implement procedures to obtain accurate information timely from each campus to allow the withdrawal date to be determined within the required 30 day period. It is recommended that the fall semester withdrawal dates be determine and R2T4 calculations completed before the first month of the spring semester.

**COAST COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FEDERAL AWARDS**  
**June 30, 2015**

**FINDING 2015-003 – RETURN TO TITLE IV**  
**(continued)**

**District Response:** The procedures for the R2T4 processing of students who have received all F's and W's grades have been modified to include the following:

College financial aid directors will run the report within 7 days of the end of term processing for the term. The reports will be forwarded to the District Financial Aid office for processing no later than January 15 for the fall term, June 15 for the spring term, and September 15 for the summer term. Discussion is under way to determine if it would be more expedient to process the reports at the District Financial Aid Office.

**COAST COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FEDERAL AWARDS**  
**June 30, 2015**

**FINDING 2015-004 –RETURN TO TITLE IV**

**CFDA Title and Number:** Student Financial Aid Cluster (84.038, 84.063, and 84.268)

**Federal Award Number and Year:** P268K153665, P268K151139, P268K151161, P063P143665, P063P141139, P063P141161, 2014-2015

**Name of Federal Agency:** U.S. Department of Education

**Name of the Pass-through Agency:** Not applicable

**Campus:** Coastline College, Golden West College, and Orange Coast College

**Criteria:** According to 34 CFR 668.22(f)(2)(i) and (ii)(B), institutional scheduled breaks of five or more consecutive days are excluded from the Return to Title IV (R2T4) calculation as periods of nonattendance and, therefore, do not affect the calculation of the amount of federal student aid earned. This provides for more equitable treatment of students who officially withdraw near either end of a scheduled break. In those instances, at institutions not required to take attendance, a student who withdrew after the break would not be given credit for earning an additional week of funds during the scheduled break but would instead earn funds only for the day or two of training the student completed after the break. The calculation is adjusted as follows:

- If a scheduled break occurs prior to a student's withdrawal, all days between the last scheduled day of classes before a scheduled break and the first day classes resume are excluded from both the numerator and denominator in calculating the percentage of the term completed.
- If the withdrawal occurs prior to a scheduled break, the days in the break are excluded only from the denominator.

**Condition:** All campuses are scheduled for a week break during the spring semester. A sample of eight students was selected from the Spring semester R2T4 calculation. Of the eight students, the break was not included in the calculation for four students; for the remaining students, a break of five days was included rather than the seven days that were scheduled.

**Questioned Costs:** For the students that had no breaks in the R2T4 calculation, the District should of returned \$45. For students that had the incorrect number of days, the District should of returned \$32.

**Effect:** Not in compliance with 34 CFR 668.22(f)(2)(i) and (ii)(B) and returned \$77 to the federal government.

**Recommendation:** Establish procedures to properly calculate the R2T4 amount based on the criteria stated above. In addition, implement a review process to verify calculations are accurate and comply with federal requirements.

**COAST COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FEDERAL AWARDS**  
**June 30, 2015**

**FINDING 2015-004 –RETURN TO TITLE IV**  
**(continued)**

**District Response:** A procedure has been put into place for 2015-16 beginning with Summer 2015, that will review a sample of R2T4 calculations after the term has completed. The District Financial Aid Director will run a report from the prior term after all grades and R2T4 calculations have been completed; determine a sample set; and validate the calculations.

The validation will be performed by one of the fiscal/accounting specialists in the District Financial Aid Office who did not perform the original calculation. The calculations will be performed on the Department of Education's web site documents; scanned and stored for review by the A-133 auditors. If a calculation is to be redone, this will be completed with a notation on the review for the term and on the student's records in PowerFAIDS.

Starting with the 2015-16 award year, the District Financial Aid Director will review the set-up for R2T4 and make sure this is correct for years going forward.

**COAST COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FEDERAL AWARDS**  
**June 30, 2015**

**FINDING 2015-005 – RETURN TO TITLE IV**

**CFDA Title and Number:** Student Financial Aid Cluster (84.038, 84.063, and 84.268)

**Federal Award Number and Year:** P268K153665, P268K151139, P268K151161, P063P143665, P063P141139, P063P141161, 2014-2015

**Name of Federal Agency:** U.S. Department of Education

**Name of the Pass-through Agency:** Not applicable

**Campus:** Coastline College, Golden West College, and Orange Coast College

**Criteria:** According to 34 CFR 668.164 (h)(2), if a school attempts to disburse the credit balance by check and the check is not cashed, the school must return the funds to the federal government no later than 240 days after the date the school issued the check. If a check is returned to a school or an EFT is rejected, the school may make additional attempts to disburse the funds, provided that those attempts are made not later than 45 days after the funds were returned or rejected. When a check is returned or EFT is rejected and the school does not make another attempt to disburse the funds, the funds must be returned to the federal government before the end of the initial 45-day period. The school must cease all attempts to disburse the funds and return them to the federal government no later than 240 days after the date it issued the first check.

**Condition:** The District contracted with Higher One to disburse Title IV and student refunds starting in August 2013. From the inception of Higher One, the vendor returned undeliverable disbursements back to the District via electronic wire transfer. The District returned those funds back to Higher One to disburse to the student. Many of those were again returned to the District. The District maintained the undeliverable disbursements in a bank account, thereby exceeding the 240 day requirement (average of 370 days). The District began to reconcile the undeliverable disbursements in March 2015 through the date of inception. Attempts to disburse to the students were ceased on 296 disbursements.

**Questioned Costs:** From the 296 disbursements, totaling \$156,570, the total amount over 240 days requirement is \$128,597; returned within the required timeframe is \$27,973.

**Effect:** Not in compliance with 34 CFR 668.164 (h)(2) and overstatement of disbursement.

**Recommendation:** Implement procedures to disburse funds based on the criteria stated above. Include guidelines on how to return funds to the federal government if the District is unable to disburse within the required timeframe.

**COAST COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FEDERAL AWARDS**  
**June 30, 2015**

**FINDING 2015-005 – RETURN TO TITLE IV**  
**(continued)**

**District Response:** The District has implemented a procedure to return the funds when the District's agent Higher One, is unable to disburse within the 90 day period. Starting July 1, 2015 Higher One will return to the District the undisbursed funds within 90 days (which previously was 180 days) and the District will continue to work with Higher One to reduce this window to 45 days. Once these funds are returned to the District, the District reviews all funds and determines which funds are related to financial aid, and works with the Financial Aid Office to return the funds to the federal government within 30 days, thus ensuring funds are returned to the federal government no later than 120 days after the date it issued the first check.

**COAST COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO STATE AWARDS**  
**June 30, 2015**

There were no findings related to State awards for the year ended June 30, 2015.

**COAST COMMUNITY COLLEGE DISTRICT**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**June 30, 2015**

**FINDING 2014-001 – CLOSING PROCEDURES**

Written year-end closing procedures should be available to management and staff to ensure key accounts are properly analyzed and asset and liability accruals are properly booked. As some entries are only recorded once a year during the year-end closing process, an oversight can occur that causes the financial statements prepared by management to not be fairly presented in accordance with generally accepted accounting principles. We noted the following deficiencies:

- In the General Fund, expenditures of \$705,378 were accrued in fiscal year 2012-13. When the payment was made in fiscal year 2013-14, the liability was not adjusted.
- In the Capital Outlay fund, cash with fiscal agent was received. The funds were subsequently deposited into the Cash in County account; however, the deposit was recorded as revenue rather than adjusted to cash with fiscal agent. Also, expenditures of \$330,703 were accrued in fiscal year 2012-13. When the payment was made in fiscal year 2013-14, the liability was not adjusted.
- In the Revenue Bond Construction Fund, expenditures of \$567,990 were accrued in fiscal year 2012-13. When the payment was made in fiscal year 2013-14, the liability was not adjusted.
- In the Self-Insurance Fund, revenues of \$1,131,954 and expenditures of \$606,348 were accrued in fiscal year 2012-13. When the funds were received in fiscal year 2013-14, the receivable was not adjusted. When the payment was made in fiscal year 2013-14, the liability was not adjusted. In addition, the liability for incurred but not reported claims liability is not accrued during year end closing.

**Recommendation:** In addition to written year-end closing procedures as noted above, compensating controls such as a review of all journal entries relating to accruals, analysis at key account balances, and review of accruals from the prior year that have not cleared will strengthen controls related to financial statement preparation.

**Current Status:** Continuing deficiencies. See current year finding 2015-001.

## COAST COMMUNITY COLLEGE DISTRICT

### STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2015

#### **FINDING: 2014-002 SECTION 479 – TO BE ARRANGED (TBA) HOURS**

**Criteria:** The Contracted District Audit Manual (CDAM) defines TBA as “Some courses with regularly scheduled hours of instruction have – hours to be arranged (TBA) as part of the total contact hours for the course. The TBA portion of the course uses an alternate method for regularly scheduling a credit course for purposes of applying either the Weekly or Daily Census Attendance Accounting Procedures pursuant to CCR, Title 5, §58003.1(b) and (c), respectively.” TBA hours are only an option for credit courses that apply the Weekly or Daily Attendance Accounting Procedures and not to those that apply the Alternative Attendance Accounting Procedure pursuant to title 5, section 58003.1(f). The guidance provided by the Chancellor’s Office further requires the following elements related to TBA courses:

- The official course outline of record must include the number of TBA hours. This requirement should also be listed in the published class schedule, whether printed, online, or an addenda to the original schedule.
- Student participation must be carefully tracked to ensure TBA hours are not claimed for apportionment for students who have documented zero hours as of the census date for the course.
- Require all students enrolled in a course with TBA hours to fulfill the hours and other conditions for TBA; ensure all student participation is documented.
- TBA hours may not be claimed for apportionment under the auspices of individual student tutoring.

**Condition:** In review of the District-wide courses, Golden West College was the only College to offer TBA courses. Ten courses were selected and most were deemed invalid TBA courses. Some of the courses are considered hybrids, i.e. lecture and web base lecture courses and the rest were considered Actual Attendance courses. The District reviewed the entire population of TBA courses and determined that out of the 49 classes claimed as TBA, only 10 were considered valid under the definition.

**Context:** Auditor’s initial testing indicated from the sample selected that eight out of ten were not TBA courses. In the District’s review, 39 out of 49 were not considered TBA courses.

**Questioned Costs:** Due to a review of the entire population, no extrapolation was performed for Actual Attendance, which had no records, no FTEs were recorded. This was found prior to the Annual Attendance Report. The District removed 14.41 FTEs in the Annual Attendance Report.

**Effect:** Course classification errors will result in FTES per type, weekly, daily and or positive attendance, being inaccurately calculated and reported for funding.

**COAST COMMUNITY COLLEGE DISTRICT**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**June 30, 2015**

**FINDING: 2014-002 SECTION 479 – TO BE ARRANGED (TBA) HOURS**

(continued)

**Recommendation:** Review courses classified as requiring TBA hours and determine TBA hours that do not meet the definition of Weekly or Daily Census procedure courses. Such courses should be reported as positive attendance courses. In addition the District should review all courses labeled as TBA and revise the course designation as appropriate.

**Current Status:** Implemented

**COAST COMMUNITY COLLEGE DISTRICT**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**June 30, 2015**

**FINDING: 2014-003 SECTION 424 – STATE GENERAL  
APPORTIONMENT FUNDING SYSTEM**

**Criteria:** CCR Title 5 Section 58003. 1 (f), in computing independent daily and weekly courses, the District needs to use the approved term length multiplier.

**Condition:** During testing, noted that all independent study weekly and daily courses were using the maximum term length multiplier of 17.5 versus the approved amount of 16.

**Context:** The District claimed the amount of contact hours for online daily and weekly classes (that do not have an online lab session) that were equivalent to the amount of hours if the courses had been on-campus. This calculation was based on statements in the Distance Education Guidelines – 2008 Omnibus Version relating to the intent of the attendance accounting regulations that colleges should not be ‘penalized’ for offering online courses.

The example in the guidelines used a 17.5 term length multiplier (TLM). Therefore the District used this term length multiplier to adjust the total hours since the alternative attendance method requires the use of course units rather than hours scheduled. For example, a traditional 3 unit on campus class might be offered for 3.4 hours per week for 16 weeks yielding 54.4 total hours (3.4\*16 TLM). That same 3 unit class offered online and not regularly scheduled must use the alternative attendance accounting method.

This method specifies the use of 3 units \* 16 TLM yielding only 48 total hours. Given the ‘equivalent’ language in the 2008 Omnibus Guidelines and the requirement to use units instead of hours, the only way to achieve an accounting of total hours for online classes equivalent to traditional, on campus classes was to utilize the maximum 17.5 TLM. This resulted in total hours that were still less than traditional offerings (3\*17.5=52.5 compared to 54.5 for an on-campus class).

**Recommendation:** To comply with regulations, implement the correct term length multiplier and recertify the Annual Attendance report reflecting this adjustment.

**Current Status:** Implemented

**CONTINUING DISCLOSURE INFORMATION**

**COAST COMMUNITY COLLEGE DISTRICT**  
**CONTINUING DISCLOSURE INFORMATION (UNAUDITED)**  
**June 30, 2015**

Assessed valuation for fiscal year 2014-15

\$108,686,582,099 (1)

**2014-15 Largest Local Secured Taxpayers (1)**

Property Owner	Primary Land Use	2014-15 Assessed Valuation	% of Total (2)
1. The Irvine Company	Commercial	\$1,890,765,225	1.74%
2. Oxy USA Inc..	Oil & Gas	631,812,237	0.58
3. South Coast Plaza	Commercial	309,753,066	0.28
4. United Dominion Realty LP	Apartments	261,297,635	0.24
5. Reef America REIT	Commercial	260,933,122	0.24
6. Bella Terra Associates LLC	Commercial	207,775,833	0.19
7. DCOR, LLC	Oil & Gas	196,584,313	0.18
8. Mayer Financial, LP	Commercial	191,399,354	0.18
9. McDonnell Douglas Corp.	Apartments	177,816,887	0.16
10. JKS-CMFV LLC	Commercial	169,755,927	0.16
11. ASN Long Beach LLC	Apartments	166,753,640	0.15
12. Hyundai Motor America	Commercial	161,279,123	0.15
13. Oxy Long Beach Inc.	Oil & Gas	152,315,621	0.14
14. Marjack LLC	Apartments	148,385,165	0.14
15. Balboa Bay Club Ventures	Commercial	137,500,000	0.13
16. 21002 HB LLC	Commercial	133,253,737	0.12
17. Retail Property Trust	Commercial	126,789,603	0.12
18. UDR Newport Beach North LP	Apartments	125,493,800	0.12
19. Coronado South Apartments LP	Apartments	120,455,253	0.11
20. Interinsurance Exchange of the Automobile Club of America	Commercial	<u>116,434,823</u>	<u>0.11</u>
		\$5,686,554,364	5.23%

(1) Information obtained from California Municipal Statistics, Inc.

(2) % of total assessed valuation for the fiscal year 2014-15 of \$108,686,582,099.