

**COAST COMMUNITY COLLEGE DISTRICT
ORANGE COUNTY**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2016**



COAST COMMUNITY COLLEGE DISTRICT

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Coast Community College District
Costa Mesa, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Coast Community College District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Coast Community College District
Costa Mesa, California

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

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 District as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of postemployment healthcare benefits funding progress, schedule of postemployment healthcare benefits employer contribution, schedule of the District's proportionate share of the net pension liability (STRP and CalPERS), and schedule of District pension contributions (STRP and CalPERS) 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 District's 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Coast Community College District
Costa Mesa, California

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 supplementary section, including the schedule of expenditures of federal awards, 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 16, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 16, 2016

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2016

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, 2016. 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.

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

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2016

and welfare benefit costs continue to rise and are being monitored. Additional funds were set aside to fund the future retiree benefits liability. Over \$65 million has been set aside to meet the District's liability of approximately \$116 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. The District is moving forward implementing Financial Aid management and reporting into the Banner system.

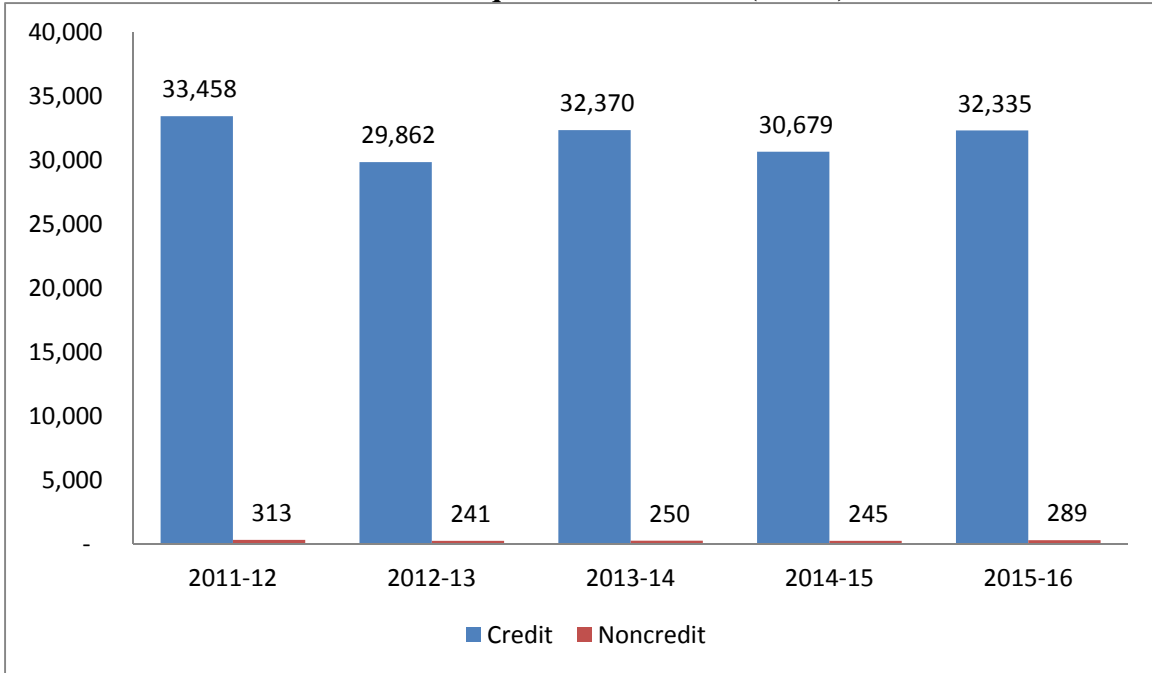
In November 2002, the District's citizens passed Measure C, a general obligation bond for facilities. Measure C was fully expended and closed out as of June 30, 2013. On November 6, 2012, the District voters approved and authorized the issuance and sale of \$698 million principal amount of Measure M 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. The rating remains the same for the 2015-16 fiscal year (FY).

The 2015-16 FY saw a continued effort geared toward maximizing enrollment and service to students and the community. The 2015-16 FY Adopted Budget was based on the revenue associated with serving 32,624 resident FTES. At the P-1 Enrollment report in January 2016, earnings were approximately 300 FTES above base. However, by the P-2 Enrollment report in April 2016, demand had softened with enrollment slipping to 567.82 FTES or 1.74% below base. The 2015-16 FY annual Enrollment report reflected a continuation of this trend with resident FTES 553.28, or 1.70%, below base.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2016

Annual Enrollment
Full-Time Equivalent Students (FTES)



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.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2016

	(in thousands)		
	<u>2016</u>	<u>2015</u>	<u>Change</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 121,365	\$ 95,305	27%
Investments	12,363	10,182	21%
Account receivables	21,196	15,021	41%
Notes receivable - current portion	750	750	0%
Inventories	57	70	-19%
Prepaid expenses	649	1,949	-67%
Total current assets	<u>156,380</u>	<u>123,277</u>	27%
Non-current assets			
Restricted cash and cash equivalents	127,555	166,890	-24%
Restricted student loans receivable, net	2,851	2,626	9%
Notes receivable	12,937	13,688	-5%
Other post-employment benefit asset	18,454	15,074	22%
Capital assets, net of depreciation	459,625	435,564	6%
Total non-current assets	<u>621,422</u>	<u>633,842</u>	-2%
TOTAL ASSETS	<u>777,802</u>	<u>757,119</u>	3%
DEFERRED OUTFLOW OF RESOURCES			
Deferred charge on refunding	28,645	14,401	99%
Deferred outflows - pension	25,053	12,565	99%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>53,698</u>	<u>26,966</u>	99%
LIABILITIES			
Current liabilities	85,603	83,463	3%
Non-current liabilities	741,871	705,707	5%
TOTAL LIABILITIES	<u>827,474</u>	<u>789,170</u>	5%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	19,020	42,590	-55%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>19,020</u>	<u>42,590</u>	-55%
NET POSITION			
Invested in capital assets, net of related debt	33,735	11,637	190%
Restricted	39,578	29,784	33%
Unrestricted	(88,307)	(89,096)	-1%
TOTAL NET POSITION	<u>\$ (14,994)</u>	<u>\$ (47,675)</u>	69%

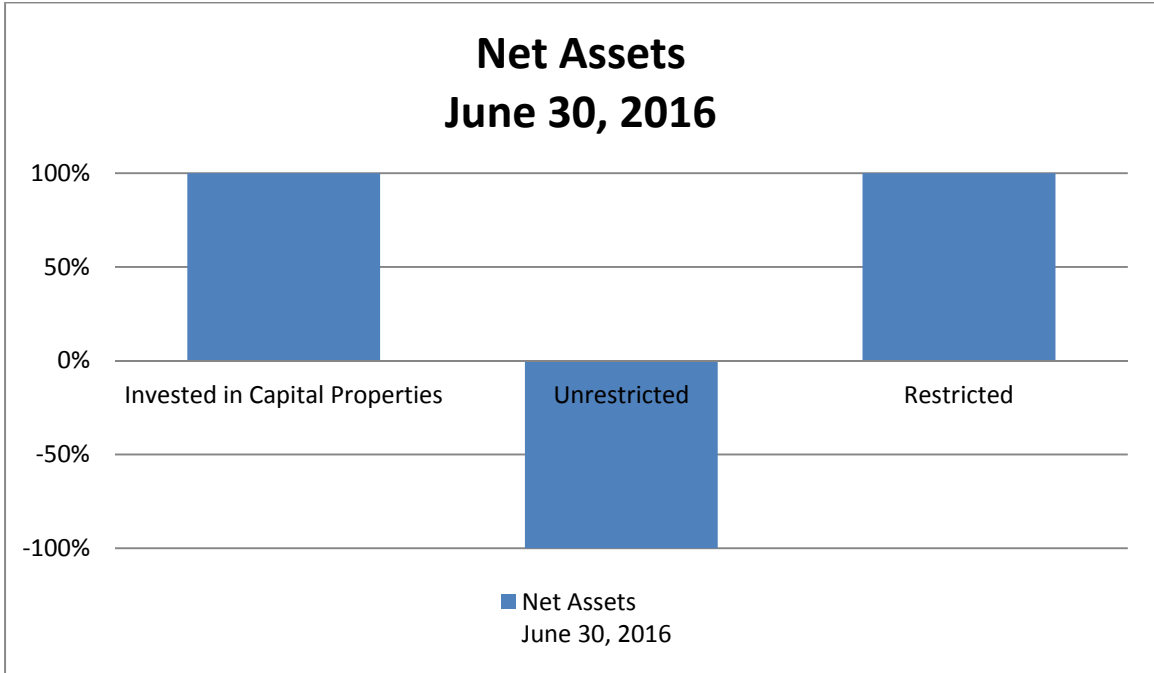
COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2016

- Cash and cash equivalents consist mainly of cash held in the county treasury (\$223 million) and ancillary funds maintained at local banks. Cash increased from the prior year due primarily to grants and contract payments and the receipt of one-time mandated costs payment. At June 30, 2016, the building fund had a cash balance of approximately \$78 million.
- Accounts receivable increased due to payments received from a litigation settlement and a change in the reporting for the students and grant funds.
- 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 3%, mostly due to one-time State Mandated Cost Block Grant payment. The total liabilities showed an increase of 5%. This is due to the current portion of the GO Bond payable, deferred revenue and pension liabilities.
- 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 \$173 million as of FY 2015-16.
- Net position showed an increase of 69% from the prior year. Total operating expenses increased by \$17 million, or 6%, while total operating revenues increased by \$5 million

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2016



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.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2016

	(in thousands)		
	<u>2016</u>	<u>2015</u>	<u>Change</u>
Operating Revenues			
Net tuition and fees	\$ 32,448	\$ 30,744	6%
Grants and contracts, non-capital	117,006	112,961	4%
Auxiliary sales and charges	<u>3,248</u>	<u>3,145</u>	3%
Total operating revenues	<u>152,702</u>	<u>146,850</u>	4%
Operating Expenses			
Salaries and benefits	210,385	194,986	8%
Supplies, materials and other operating expenses and services	42,495	37,184	14%
Financial aid	60,167	61,712	-3%
Utilities	3,954	4,526	-13%
Depreciation	<u>17,609</u>	<u>18,545</u>	-5%
Total operating expenses	<u>334,610</u>	<u>316,953</u>	6%
Operating loss	<u>(181,908)</u>	<u>(170,103)</u>	7%
Non-operating revenues (expenses)			
State apportionments, non-capital	48,510	46,391	5%
Local property taxes	114,654	105,715	8%
State taxes and other revenues	25,801	8,620	199%
Investment income, non-capital	505	252	100%
Interest expense	(17,951)	(22,055)	-19%
Loss on disposal of capital assets	<u>(10)</u>	<u> </u>	0%
Total non-operating revenues (expenses)	<u>171,509</u>	<u>138,923</u>	23%
Other revenues, expenses, gains or losses			
State apportionments, capital	3,728		0%
Local property taxes and revenues, capital	38,132	35,508	7%
Investment income, capital	<u>1,220</u>	<u>896</u>	36%
Total other revenues, expenses, gains or losses	<u>43,080</u>	<u>36,404</u>	18%
Change in net position	<u>32,681</u>	<u>5,224</u>	526%
Net position, beginning of year	(47,675)	115,740	-141%
Cumulative effect of change in accounting principles	<u> </u>	<u>(168,639)</u>	100%
Net position, end of year	<u>\$ (14,994)</u>	<u>\$ (47,675)</u>	69%

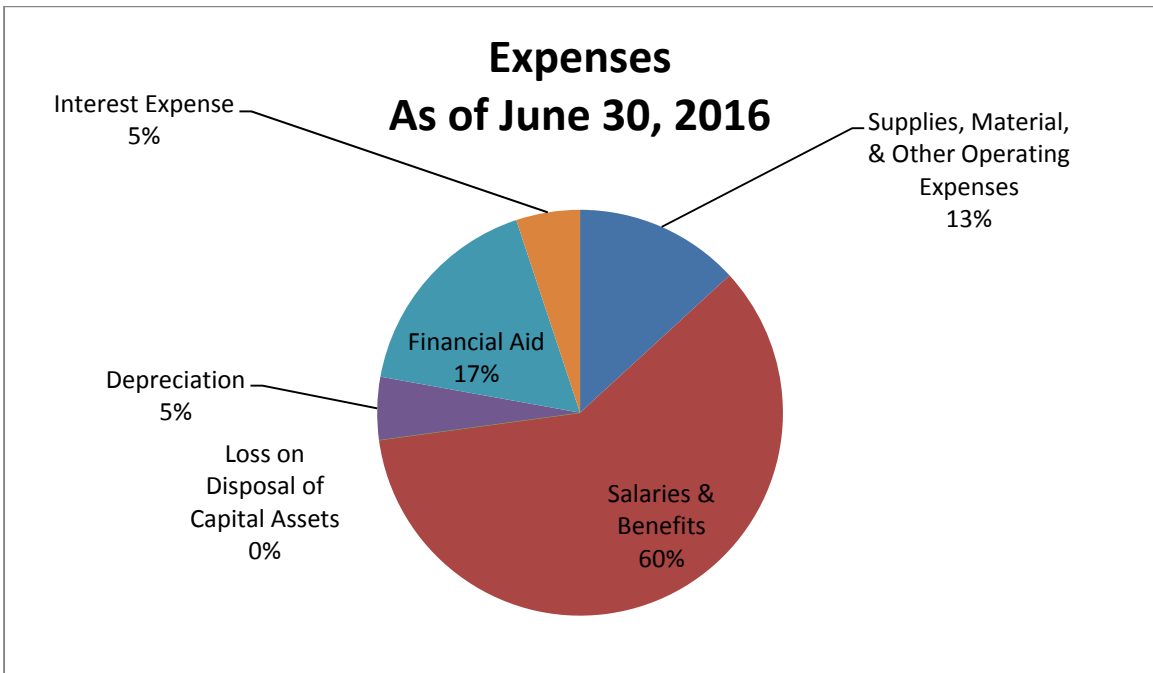
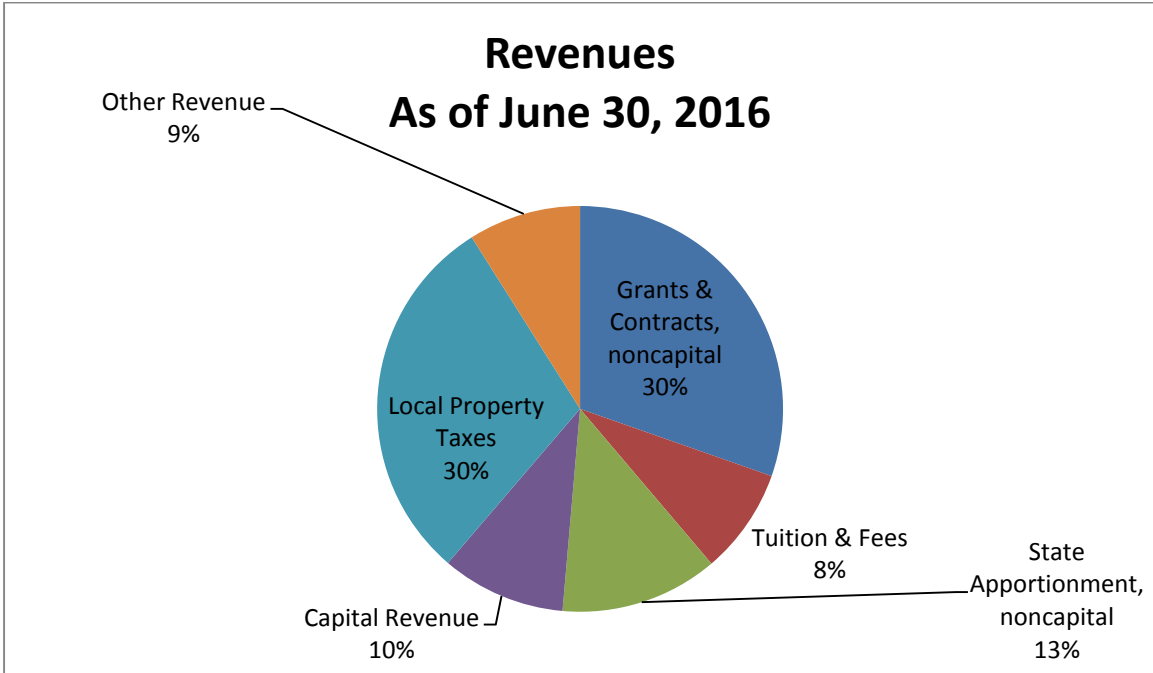
COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2016

- Net tuition and fees consists of enrollment fees (\$42.4 million), non-resident tuition (\$10.3 million), and other fees (\$3.9 million) less scholarships, discounts and allowances (\$24.2 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 (\$58 million), state grants (\$31 million), and local contracts (\$28 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 for 2015-16 reflected a return to base Full Time Equivalent Students (FTES) of 32,624. This figure was achieved through a strategic shift of 554 summer 2016 FTES, or approximately 1.7% of base. The District has continued its effort geared toward maximizing enrollment and service to students and the community.
- Depreciation expenses decreased due to the retirement of existing assets. We anticipate an increase in depreciation expenses in FY 2016-17 due to the construction projects completed in this fiscal year.
- Robust property tax receipt, along with the EPA funding, has resulted in a smaller proportion 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, 2016



COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2016

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>2016</u>	<u>2015</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (156,378)	\$ (134,740)	-16%
Noncapital financing activities	187,812	176,302	7%
Capital and related financing activities	(43,035)	(39,260)	-10%
Investing activities	<u>(1,675)</u>	<u>62</u>	-2802%
Net change in cash and cash equivalents	(13,276)	2,364	-662%
Cash balance, beginning of year	262,195	259,831	1%
Cash balance, end of year	<u>\$ 248,919</u>	<u>\$ 262,195</u>	-5%

- The primary cash receipts from operating activities consist of grants, contracts, 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 overall cash balance has decreased from prior year the result of the net of a modest COLA, base augmentation, one-time mandate reimbursement funding, decreased categorical funding, and increased in operating expenditures.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2016

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, 2016, the District had over \$459 million invested in net capital assets. Total capital assets of \$749 million consist of land, buildings and building improvements, vehicles, data processing equipment and other office equipment; these assets have accumulated depreciation of \$289 million. New additions for construction and equipment of \$35.5 million occurred during 2015/2016, and depreciation expense of \$17.6 million was recorded for the fiscal year. Construction in progress of \$61.3 million was completed and placed into service as buildings and site improvements. Note 5 to the financial statements provides additional information on capital assets. A summary of capital assets net of depreciation is presented below:

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2016

	Balance June 30, 2016
Land	\$ 24,141,969
Buildings and site improvements	655,462,873
Equipment	39,109,497
Construction in progress	30,449,783
Totals at historical cost	749,164,122
Less accumulated depreciation for:	
Buildings and site improvements	(255,842,552)
Equipment	(33,695,852)
Total accumulated depreciation	(289,538,404)
Governmental capital assets, net	\$ 459,625,718

Debt

At June 30, 2016, the District had \$583 million in debt for the General Obligation bonds. The payments for general obligation bond debt are funded through property tax assessments. Notes 6 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 for the 2016-17 FY was released on January 7, 2016. The Governor also proposed 2% for enrollment growth, and funding for a 0.47% COLA. \$200 million was identified for the Strong Workforce Program, \$48 million for the Career Technical Education Pathways program, and \$30 million to augment the Basic Skills Program.

According to Department of Finance (DOF) calculations, community colleges would receive a 10.93% share of Proposition 98 funds in this Governor's Budget. This proposal also acknowledged a funding shortfall of nearly \$80 billion in the State Teachers Retirement System. Projections of increased employer contributions are included elsewhere in the proposal.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2016

The May Revision presents the last statutory opportunity for the Governor to shape his economic proposal before legislative budget committees complete their work and move into Conference committee. Governor Brown released the May Revision to his 2016-17 proposed State Budget on Friday, May 13, 2016. The proposal included 2% for growth, as in the January proposal. No cost-of-living adjustment (COLA), as compared with the estimated 0.47% in January, and \$75 million for a base apportionment increase, which was not proposed in January. The Governor increases the January proposal of \$76.3 million for one-time mandate reimbursements by \$29.2 million for a total of \$105.5 million, which translates to approximately \$91 per full-time equivalent student (FTES).

The 2016-17 FY State Budget Bill, AB 1598, was signed into law by the Governor on June 27, 2016. It reflected the sixth consecutive year a budget was passed on time and largely along partisan lines. Proposition 25 (2010) has clearly put the majority party in charge. Total State general fund spending is \$122.5 billion which reflects an increase of \$7 billion from prior year. For community colleges, the 2016-17 budget provides roughly \$500 million in new ongoing Proposition 98 resources, and approximately \$350 million in one-time funds.

The 2016-17 FY CCCD Budget

- Estimated State Revenue reflected zero COLA, no growth and a \$141 per FTES Unrestricted Lottery Revenue. Available Statewide Growth/Access funding is identified at 2.0% but the District does not budget these funds until the following year in which they are earned.
- Statewide Categorical program funding for the 2016-17 FY stands at nearly \$688 million, providing a significant increase in programmatic funding. The total categorical funding for Coast is nearly \$40 million.
- For the 2016-17 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 \$17 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. For 2016-17, 87.7% of the unrestricted funds are budgeted on salaries and benefits.
- Volatility continues in our Health and welfare benefit programs. The budget for benefits in the 2016-17 FY is \$14,800 Per Employee Per Year (PEPY) as compared with prior year actual of \$15,215 PEPY.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2016

- The employer contributions for the PERS will increase from 11.847% to 13.89% of payroll, or more than two full percentage points. The STRS employer rate will increase by 1.85%, from 10.73% to 12.58%. These increases in pension contributions commenced with the fiscal year beginning July 1, 2016. For the current fiscal year, the combined increase of these pension system match requirements are estimated at \$2.4 million.

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. However, in 2015-16 FY a transfer to the irrevocable trust was made in the amount of \$7 million. Future transfers will continued to be evaluated on impacts to cash flow needs.

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 on December 31, 2016. This represents approximately 21% of Proposition 30 revenues. The effect of the SUT sunset is reflected in state and local budget assumptions, and is not expected to have a measurable impact on the District budget. The Personal Income Tax (PIT) increase under Proposition 30 sunsets on December 31, 2018. A ballot measure proposed to extend the PIT increase for 12 years will be considered by the voters in November 2016. 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.

Although budgetary modeling does not indicate the District will grow, the 2016-17 Advance Principal Apportionment Report reflects a growth cap of 1.51% for the District. System-wide, Growth (Access) is funded at 2% for the 2016-17 FY.

Not unlike District's retiree health benefit plan, both the California State Teachers Retirement System (STRS) and the California Public Employee Retirement System (PERS) have significant unfunded liabilities. This phenomenon reflects a mismatch between the pension plan's estimated obligations and its assets. In theory these plans should be prefunded, meaning regular

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2016

contributions for each employee are made into the retirement fund during the course of that employee's career. However, because of underfunding in prior years, employer costs for retirement benefits for both STRS and PERS are projected to nearly double over the next several years. Projections for Coast is at an additional \$11.8 million in on-going costs by 2020-21 FY.

The Governmental Accounting Standards Board (GASB). Statement No. 67, Financial Reporting for Pension Plans and Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of Statement No. 27, establish 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. Districts' financial reports must begin to show the full effect of pension liabilities. The PERS program involves an employer and an employee contribution. In contrast, the STRS program includes both an employer and an employee contribution, along with a state contribution. In practice, most Local Education Agencies (LEA's) did not recognize the states "on-behalf" contributions to CalSTRS, primarily based on 1996 guidance from the California Department of Education. More recently, GASB 68 now requires districts to recognize the "on-behalf" contribution by the state by debiting pension contribution expenditures and crediting revenues. For Coast, this amount is estimated at \$4.4 million.

Lastly, under Proposition 98, the 2015-16 State budget will essentially eliminate the maintenance factor. This is the amount owed to K-14 education to restore the cuts imposed during the recession, funds due to districts but not paid in prior years. Once that factor is repaid, K-14 education will be back in a situation where it receives only about 40% of new revenues, rather than 90%. This may happen around the same time that the temporary tax revenues from Proposition 30 begin to expire, and all predictions are that we will see another recession in the foreseeable future. Further, mounting cost pressures from pensions and benefits will continue, so caution moving forward will be important.

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, 2016

	<u>Primary</u>	<u>Component Units</u>
	<u>Government</u>	
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 121,364,808	\$ 7,090,172
Investments	12,362,852	22,405,460
Accounts receivable, net	21,195,660	124,415
Deferred tax asset		16,500
Pledges receivable, net		281,997
Beneficial interest in charitable gift annuity		7,209
Inventories	57,123	
Notes receivable- current portion	750,000	
Prepaid expenses and other current assets	648,963	137,884
Total Current Assets	156,379,406	30,063,637
Non-Current Assets:		
Restricted cash and cash equivalents	127,554,658	
Restricted student loans receivable, net	2,850,831	
Notes receivable	12,937,500	
Other postemployment benefit asset	18,453,746	
Capital assets, net of accumulated depreciation	459,625,718	6,782,066
Total Non-Current Assets	621,422,453	6,782,066
Total Assets	777,801,859	36,845,703
<u>Deferred Outflows of Resources</u>		
Deferred charge on refunding	28,645,281	
Deferred outflows- pension	25,052,813	
Total Deferred Outflows of Resources	53,698,094	-
Total Assets and Deferred Outflows of Resources	\$ 831,499,953	\$ 36,845,703

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

	Primary	
	<u>Government</u>	<u>Component Units</u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts payable	\$ 24,331,744	\$ 497,304
Accrued liabilities	11,450,357	47,315
Unearned revenue	25,502,426	395,141
Amounts held in trust	225,084	
Long-term liabilities-current portion	24,093,271	
Non-Current Liabilities	<u>741,870,989</u>	
Total Liabilities	<u>827,473,871</u>	<u>939,760</u>
 <u>Deferred Inflows of Resources</u>		
Deferred inflows- pension	<u>19,020,122</u>	
Total Deferred Inflows of Resources	<u>19,020,122</u>	<u>-</u>
 <u>Net Position</u>		
Net investment in capital assets	33,735,416	
Permanently restricted		7,028,275
Temporarily restricted		25,646,570
Restricted for:		
Capital projects	23,323,752	
Debt service	13,008,084	
Scholarship and loans	3,246,475	
Unrestricted	(88,307,767)	2,356,071
Common stock		158
Retained earnings		<u>874,869</u>
Total Net Position	<u>(14,994,040)</u>	<u>35,905,943</u>
 Total Liabilities, Deferred Inflows of Resources and Net Position	 <u>\$ 831,499,953</u>	 <u>\$ 36,845,703</u>

See 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, 2016**

	Primary Government	Component Units
Operating Revenues		
Tuition and fees (gross)	\$ 56,704,455	\$
Less: Scholarship discounts and allowances	(24,256,287)	_____
Net tuition and fees	32,448,168	-
Grants and contracts, non-capital:		
Federal	57,552,825	
State	31,081,838	
Local	28,370,372	15,952,326
Sales	3,248,390	_____
Total Operating Revenues	<u>152,701,593</u>	<u>15,952,326</u>
Operating Expenses		
Salaries	145,998,961	1,484,541
Employee benefits	64,386,174	351,699
Supplies, materials, and other operating expenses and services	42,495,108	10,197,711
Financial aid	60,166,625	
Utilities	3,953,730	
Depreciation	17,609,358	1,204,196
Total Operating Expenses	<u>334,609,956</u>	<u>13,238,147</u>
Operating Income (Loss)	<u>(181,908,363)</u>	<u>2,714,179</u>
Non-Operating Revenues (Expenses)		
State apportionments, non-capital	48,510,217	
Local property taxes	114,654,192	
States taxes and other revenue	25,800,581	22,818
Interest and investment income, non-capital	505,935	635,807
Loss on disposal of capital assets	(10,269)	
Interest expense	(17,951,208)	_____
Total Non-Operating Revenues (Expenses)	<u>171,509,448</u>	<u>658,625</u>
(Loss) Income/Gain Before Other Revenues, Expenses, Gains and Losses	<u>(10,398,915)</u>	<u>3,372,804</u>
Other Revenues, Expenses, Gains and Losses		
Local property taxes and revenues, capital	38,132,122	
State apportionments, capital	3,727,917	
Interest and investment income, capital	1,219,971	_____
Total Other Revenues, Expenses, Gains and Losses	<u>43,080,010</u>	<u>-</u>
Changes in Net Position	32,681,095	3,372,804
Net Position, Beginning of Year	<u>(47,675,135)</u>	<u>32,533,139</u>
Net Position, End of Year	<u>\$ (14,994,040)</u>	<u>\$ 35,905,943</u>

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2016**

	Primary Government	Component Units
Cash Flows From Operating Activities		
Tuition and fees	\$ 30,564,144	\$
Federal grants and contracts	57,540,709	
State grants and contracts	36,684,819	
Local grants and contracts	28,370,372	
Sales	3,031,431	
Auxiliary enterprise sales and charges		6,065,325
Administrative fees and interest		1,127,645
Donations		3,621,574
VLFAA Settlement	9,739,052	
Payments to suppliers	(43,612,206)	(9,289,303)
Payments to/on-behalf of employees	(218,423,542)	(541,365)
Payments to/on-behalf of students	(59,835,606)	(1,327,386)
Other misc. (payments) receipts	(436,678)	34,132
Net cash provided (used) by operating activities	<u>(156,377,505)</u>	<u>(309,378)</u>
Cash Flows From Non-Capital Financing Activities		
State apportionments and receipts	46,975,422	
Property taxes	114,654,192	
State tax and other revenues	25,647,351	
Issuance of student loans	(225,221)	
Transfers from fiduciary funds	10,269	
Principal collections on notes receivable	750,000	
Net cash provided (used) by non-capital financing activities	<u>187,812,013</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities		
Interest on capital investments	1,169,312	
State apportionment for capital purposes	38,132,122	
Local revenue, grants and gifts for capital purposes	4,947,888	
Net purchase and sale of capital assets	(45,526,854)	(36,445)
Proceeds from long-term debt	179,970,039	
Principal paid on long-term debt	(25,808,919)	
Interest paid on long-term debt	(16,732,659)	
Payment to escrow fund for defeased debt	(179,186,100)	
Net cash provided (used) by capital and financing activities	<u>(43,035,171)</u>	<u>(36,445)</u>
Cash Flows from Investing Activities		
Interest on investments	505,935	782,529
Purchase of investments	(2,180,867)	321,893
Net cash provided (used) by investing activities	<u>(1,674,932)</u>	<u>1,104,422</u>
Net Change in Cash and Cash Equivalents	(13,275,595)	758,599
Cash Balance - Beginning of Year	<u>262,195,061</u>	<u>6,331,573</u>
Cash Balance - End of Year	<u>\$ 248,919,466</u>	<u>\$ 7,090,172</u>

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2016**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

	Primary Government	Component units
Cash Provided (Used) by Operating Activities		
Operating income (loss)	(181,908,363)	2,714,179
Taxes		22,818
Net non-cash contributions		(4,041,007)
Realized and unrealized gains on investments, net		310,875
Loss on donated items		292,474
Gain on sale of fixed asset		(10,889)
Change in value of split-interest agreement		1,914
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	17,609,358	1,204,196
Changes in assets and liabilities:		
Receivables, net	(5,023,592)	41,251
Pledge receivable		48,490
Inventory	13,294	
Prepaid expense	1,300,016	(47,989)
Other postemployment benefit asset	(3,379,935)	
Deferred outflows of current year pension contributions	(12,487,890)	
Accounts payable and accrued liabilities	9,870,991	(884,691)
Unearned revenue	3,975,751	39,001
Trust account liabilities		
Compensated absences	946,072	
Amounts held in trust for others	225,084	
Estimated liability for open claims and IBNR's	211,490	
Deferred inflows of pension plan investments	(23,569,746)	
Net pension liability	35,839,965	
Net cash provided (used) by operating activities	\$ (156,377,505)	(309,378)

Noncash transaction: Capital purchase with \$3,765,000 loan.

Breakdown of ending cash balance:	
Cash and cash equivalents	\$ 121,364,808
Restricted cash and cash equivalents	127,554,658
Total	\$ 248,919,466

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	Ancillary Funds	Associated Student Body Funds
<u>Assets</u>		
Cash and cash equivalents	\$ 1,966,444	\$ 12,661,643
Accounts receivable:		
Miscellaneous	615,708	392,058
Other current assets	20,000	138,904
Total Assets	2,602,152	13,192,605
 <u>Deferred Outflows of Resources</u>		
Deferred outflows - pension		227,007
Total Deferred Outflows of Resources	-	227,007
 Total Assets and Deferred Outflows of Resources	 \$ 2,602,152	 \$ 13,419,612
 <u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 642,847	\$ 486,268
Funds held in trust	1,959,305	4,245,011
Total Current Liabilities	2,602,152	4,731,279
<u>Non-Current Liabilities</u>		
Net pension liability		1,548,363
Total Non-Current Liabilities	-	1,548,363
Total Liabilities	2,602,152	6,279,642
 <u>Deferred Inflows of Resources</u>		
Deferred inflows - pension costs		195,028
Total Deferred Inflows of Resources	-	195,028
 <u>Net Position</u>		
Unrestricted		6,944,942
Total Net Position	-	6,944,942
 Total Liabilities, Deferred Inflows of Resources and Net Position	 \$ 2,602,152	 \$ 13,419,612

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2016

	<u>Associated Student Body Funds</u>
Additions	
Sales, net of purchases	\$ 1,194,749
Interest and investment income	2,750
Student representation fee	1,720,800
Other local revenues	488,963
Total Additions	<u>3,407,262</u>
Deductions	
Classified salaries	629,371
Employee benefits	222,279
Services and other operating expenses	2,134,886
Capital outlay	18,644
Total Deductions	<u>3,005,180</u>
Change in net position	402,082
Net Position, Beginning of Year	<u>6,542,860</u>
Net Position- End of Year	<u>\$ 6,944,942</u>

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

**STATEMENT OF OTHER POSTEMPLOYMENT BENEFITS PLAN NET POSITION
June 30, 2016**

	<u>Retiree (OPEB) Trust</u>
<u>Assets</u>	
Investments - Master Trusts	<u>\$ 65,693,627</u>
Total Assets	<u><u>\$ 65,693,627</u></u>
<u>Net Position Held in Trust for Other Postemployment Benefits</u>	<u><u>\$ 65,693,627</u></u>

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN OTHER POSTEMPLOYMENT BENEFITS PLAN
NET POSITION

For the Fiscal Year Ended June 30, 2016

	Retiree (OPEB) Trust
Additions	
Employer contributions	\$ 7,000,000
Dividends and interest	<u>1,195,098</u>
Total Additions	<u>8,195,098</u>
Deductions	
Trust Fees	500
Benefits	<u>1,892,416</u>
Total Deductions	<u>1,892,916</u>
Net changes in net position	6,302,182
Net Position Held in Trust for Other Postemployment Benefits, Beginning of Year	<u>59,391,445</u>
Net Position Held in Trust for Other Postemployment Benefits, End of Year	<u>\$ 65,693,627</u>

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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 the Governmental Accounting Standards Board (GASB). 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:

- 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.
- 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.
- 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 potential 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. The 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's Board Trustee's appointments. The Board of Directors are responsible for approving

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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.

Financial Statement Presentation

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

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

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 Board of Trustees must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Trustees 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 Board of Trustees 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.

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.

Investments

Investments in the Other Post-Employment Benefits Plan 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.

Accounts Receivables

Accounts receivable consists primarily of amounts due from the Federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. Material receivables are considered fully collectible. The District recognized for budgetary and financial reporting purposes any amount of

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Bad debts are accounted for by the direct write-off method for student receivables, which is not materially different from the allowance method.

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.

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2016, 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.

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.

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.

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.

Interest costs are capitalized as part of the historical cost of acquiring certain assets. To qualify

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 as an 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, 10 years for land improvements, 8 years for equipment and vehicles and 3 years for technology.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

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 – Pensions: The deferred outflows of resources related to pensions results from the following and are recognized as follows:

- District contributions to employee pension plans subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.
- All other deferred outflows will be amortized to pension expense over the estimated average remaining service lifetime of plan participants (EARSL) over closed periods. The EARSL is 7 years for CalSTRS and 3.9 years for CalPERS. The first year of amortization is recognized in pension expense in the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods.

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.

Unearned Revenue

Cash received for Federal and state special projects, and programs is recognized as revenue to

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures. Unearned revenue also includes summer enrollment fees received but not earned.

Compensated Absences

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

The District has accrued a liability for the amounts attributable to load banking hours within accrued liabilities. Load banking hours consist of hours worked by instructors in excess of a full-time load for which they may carryover for future paid time off.

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.

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.

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 related to pensions results from the following and are amortized to pension expense as follows:

- The net differences between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- All other deferred inflows will be amortized to pension expense over the estimated average remaining service lifetime of plan participants (EARSL) over closed periods. The EARSL is 7 years for CalSTRS and 3.9 years for CalPERS. The first year of amortization is recognized in pension expense in the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods.

Net Position

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

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.

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 2017 will be recorded in the year computed by the State.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

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.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 2: DEPOSITS AND INVESTMENTS

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, 2016, \$40,640,888 of the District's bank balance of \$41,037,135 was exposed to credit risk as uninsured and collateral held by pledging bank's trust department not in the District's name.

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. The District is considered an involuntary participant in the investment pool. These pooled funds are carried at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2016 is measured at 99.99% of amortized cost. The District's investments in the fund are considered to be highly liquid and reflected in the financial statements as cash and cash equivalents in the statement of net position.

The County is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635 and 53648. The county is restricted 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.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the Auditor-Controller County of Orange, 12 Civic Center Plaza, Room 200, Santa Ana, CA 92702.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 2: DEPOSITS AND INVESTMENTS

Investments

Policies

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

- State of California Local Agency Investment Fund (LAIF)
- 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, 2016.

Investments and investments with fiscal agent at June 30, 2016 are presented below:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Standard & Poor's Rating</u>
U.S. Treasury bonds	11/30/2020	\$ 523,327	No rating available
	1/31/2017	1,758,312	No rating available
	11/30/2019	277,026	No rating available
	12/31/2017	751,980	No rating available
	11/15/2019	971,600	No rating available
	11/15/2020	958,250	No rating available
	11/15/2021	939,040	No rating available
	11/15/2022	921,090	No rating available
	11/15/2023	900,800	No rating available
Cash in Escrow Account for Purchase of Land	7/31/2016	1,815,850	No rating available
Corporate Notes	2/22/2019	255,744	AA+
	5/3/2021	254,770	AA+
	8/15/2016	505,086	AA
	2/28/2021	259,504	AA-
	3/1/2019	255,463	AA+
	7/12/2016	503,601	AA+
	4/8/2021	255,008	AA-
	4/22/2019	<u>256,401</u>	A
Total		\$ <u>12,362,852</u>	

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 2: DEPOSITS AND INVESTMENTS

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investment fair value measurements at June 30, 2016 are presented below:

<u>Investment - Level 1 Inputs</u>	<u>Fair Value</u>
U.S. Treasury bonds	\$ 8,001,425
Cash in Escrow Account for Purchase of Land	1,815,850
Corporate Bonds	<u>2,545,577</u>
Total	<u>\$ 12,362,852</u>

Investments categorized as Level 1 are valued based on prices quoted in active markets for those securities.

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. Board Policy 6320 Investments includes as the primary objectives 1) Safety: Preservation of principal is the foremost objective of the District; 2) Liquidity: The District's portfolio will remain sufficiently liquid to enable the District to meet its liquidity needs, and 3) Yield: The District's portfolio will be designed to obtain a market rate of return through economic cycles consistent with the constraints imposed by its safety objective and cash flow considerations. Board Policy 6320 does not specify limits on investment maturities as a means of managing 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. Effective January 1, 2017, AB2738 prohibits the proceeds from the sale of bonds from being withdrawn for investment outside the county treasury.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. This is measured by assignment of a rating by a nationally recognized rating organization. U.S.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 2: DEPOSITS AND INVESTMENTS

government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. 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 in the previous page.

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.

Investments – OPEB Trust

Policies

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, 2016.

The District participates with other colleges in the Balanced Fund Master Trust held by Union Bank. The Balanced Fund is comprised of various mutual funds and the District owns a pro-rata interest in the pool. In a Master Trust, the market value of the pool is converted to units valued at \$1.00 per unit and the District’s individual statement reflects the units that they own in the pool. Master Trusts are unitized to the dollar and thus, the market and cost are the same. Income earnings, gains, losses and expense are allocated pro rata to all colleges participating in the Master Trust. Investments held by the Trust and allocated to the District at June 30, 2016 are presented below:

<u>Investment</u>	<u>Fair Value</u>
Master Trusts	\$65,693,627

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 2: DEPOSITS AND INVESTMENTS

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The mutual funds held in the Master Trust are priced using a net asset value (NAV). The mutual funds may include several different underlying investments, including equities, bonds, real estate, and global securities. The NAV price is derived from the value of these investments, accrued income, anticipated cash flows (maturities), management fees, and other fund expenses. Certain investments within the fund may be deemed unobservable and not considered to be in an active market. Investment fair value measurements at June 30, 2016 are presented below:

<u>Investment - Level 2 Inputs</u>	<u>Fair Value</u>
Mutual Funds - Equity	\$ 32,499,951
Mutual Funds - Fixed Income	33,193,676
Total	<u>\$ 65,693,627</u>

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.

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, 2016, 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

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 2: DEPOSITS AND INVESTMENTS

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

Accounts receivable as of June 30, 2016 consists of the following:

Accounts Receivable	June 30, 2016
Federal and state	\$ 1,600,810
Tuition and fees	9,813,783
Miscellaneous	9,781,067
Total accounts receivable	\$ 21,195,660

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 \$750,000 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, 2016, is \$13,687,500.

NOTE 5: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

A summary of changes in capital assets for the year ended June 30, 2016 is shown herein.

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 24,141,969	\$	\$	\$ 24,141,969
Construction in progress	58,276,742	33,538,758	(61,365,717)	30,449,783
Total capital assets not being depreciated	82,418,711	33,538,758	(61,365,717)	54,591,752
Capital assets being depreciated:				
Buildings and improvements	588,048,892	67,413,981		655,462,873
Equipment and vehicles	37,933,684	2,094,035	(918,222)	39,109,497
Total capital assets being depreciated	625,982,576	69,508,016	(918,222)	694,572,370
Less accumulated depreciation for:				
Buildings and improvements	(239,593,209)	(16,249,343)		(255,842,552)
Equipment and vehicles	(33,243,790)	(1,360,015)	907,953	(33,695,852)
Total accumulated depreciation	(272,836,999)	(17,609,358)	907,953	(289,538,404)
Depreciable assets, net	353,145,577	51,898,658	(10,269)	405,033,966
Governmental activities capital assets, net	\$ 435,564,288	\$ 85,437,416	\$ (61,375,986)	\$ 459,625,718

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 5: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

For the year ended June 30, 2016, amount of interest capitalized was \$2,399,498. Interest earned on proceeds of the District’s tax exempt debt used to offset capitalized interest was \$998,650.

NOTE 6: LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2016 is shown herein.

	Balance			Balance	Amount Due
Governmental	July 1, 2015	Additions	Reductions	June 30, 2016	in One Year
Capital leases	\$ 437,214	\$	\$ 168,919	\$ 268,295	\$ 176,814
Compensated absences	5,170,519	946,072		6,116,591	741,457
Note payable	-	3,765,000		3,765,000	155,000
General obligation bonds:					
Bonds payable	471,788,867	162,855,806	135,780,169	498,864,504	23,020,000
Accreted interest	85,361,584	5,138,140	51,996,478	38,503,246	
Bonds premium	32,594,704	17,114,233	4,006,939	45,701,998	
Total general obligation bonds	589,745,155	185,108,179	191,783,586	583,069,748	23,020,000
Net pension liability	136,904,661	35,839,965		172,744,626	
Total	<u>\$ 732,257,549</u>	<u>\$ 225,659,216</u>	<u>191,952,505</u>	<u>\$ 765,964,260</u>	<u>\$ 24,093,271</u>
	Balance			Balance	Amount Due
Fiduciary	July 1, 2015	Additions	Reductions	June 30, 2016	in One Year
Net pension liability	\$ 1,193,632	\$ 354,731	\$	1,548,363	\$ -
Total	<u>\$ 1,193,632</u>	<u>\$ 354,731</u>	<u>\$</u>	<u>\$ 1,548,363</u>	<u>\$ -</u>

Liabilities for compensated absences and the net pension liability are liquidated by the governmental funds in which related salaries and benefits 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.

NOTE 7: LEASES

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 shown herein.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 7: LEASES

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 176,814	\$ 10,376	\$ 187,190
2018	<u>91,481</u>	<u>2,113</u>	<u>93,594</u>
Total	<u>\$ 268,295</u>	<u>\$ 12,489</u>	<u>\$ 280,784</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.

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 shown herein.

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2017	\$ 366,970
2018	296,851
2019	149,448
2020	<u>37,782</u>
Total	<u>\$ 851,051</u>

Current year expenditures for operating leases is approximately \$450,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

NOTE 8: NOTE PAYABLE

On March 24, 2016, the District entered into a note payable in the amount of \$3,765,000 at an interest rate of 3.75% to purchase the property on Newhope Street in the city of Fountain Valley, California. The payments are to be made over 10 years as presented herein.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 8: NOTE PAYABLE

Year Ending June 30,	Principal	Interest	Total
2017	\$ 155,000	\$ 73,339	\$ 228,339
2018	325,000	138,281	463,281
2019	335,000	126,281	461,281
2020	350,000	113,812	463,812
2021	360,000	100,875	460,875
2022-2026	2,020,000	292,969	2,312,969
2027	220,000	12,469	232,469
Total	<u>\$ 3,765,000</u>	<u>\$ 858,026</u>	<u>\$ 4,623,026</u>

NOTE 9: GENERAL OBLIGATION BONDS

Measure C

On November 5, 2002, \$370,000,000 in general obligation bonds were authorized by an election (Measure C) held within the District. The bonds were authorized (i) to finance the construction, acquisition, and modernization of certain property and District facilities and (ii) to provide a portion of the monies needed to prepay certain lease and debt obligations of the District, and (iii) to pay the related costs of bonds issuance.

Between 2003 and 2006, the District issued bonds, Series A, B, and C, totaling \$370,000,000. In 2005, the District issued 2005 refunding bonds totaling \$74,893,867 to advance refund portions of the District's Series 2003A bonds.

Measure M

On November 6, 2012, \$698,000,000 in general obligation bonds were authorized by an election (Measure M) held within the District. The bonds were authorized to (i) finance the construction, acquisition, and modernization of certain property and District facilities, (ii) to finance an endowment for voter-approved technology upgrades, (iii) to provide a portion of the monies needed to prepay certain lease and debt obligations of the District, and (iv) to pay the related costs of bonds issuance.

On May 29, 2013, the District issued bonds, Series A, Series B, Tax-Exempt Refunding Series A, and Tax Refunding Series B totaling \$315,740,000. In 2015, the District issued Refunding Bonds totaling \$162,855,806 to advance refund the District's outstanding bonds, Series C from Measure C.

The balance of the bonds refunded was \$30,402,108 less than the amount paid into the escrow account. This amount is recorded as a deferred charge on the statement of net position and

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 9: GENERAL OBLIGATION BONDS

amortized to interest expense over the life of the new debt. Amortization of \$1,756,827 was recognized during the year ended June 30, 2016.

The difference in cash flow requirements related to the 2015 refunding bonds amounted to a savings of approximately \$33,500,000. The present value of economic gain to the District amounts to approximately \$19,164,345. The proceeds associated with this refunding were deposited in an escrow fund for future payments. At June 30, 2016, the outstanding balance of the defeased debt and accreted interest to pay by the escrow agent totaled \$162 million.

The outstanding general obligation bonded debt of the District at June 30, 2016 is shown herein.

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2016
Measure C:					
Series A	4/17/2003	8/1/2016	2.50-5.50	\$ 110,000,000	\$ 595,000
2005 Refunding	3/10/2005	8/1/2022	3.00-5.25	74,893,867	2,618,867
Accreted Interest					7,087,818
Series B	6/28/2006	8/1/2030	3.63-5.00	149,859,831	51,514,831
Accreted Interest					31,415,428
Total Measure C				<u>334,753,698</u>	<u>93,231,944</u>
Measure M:					
Series A	5/29/2013	8/1/2038	1.50-5.00	190,000,000	163,565,000
Series B	5/29/2013	8/1/2018	0.45-1.64	10,000,000	6,055,000
Refunding Series A	5/29/2013	8/1/2024	2.00-5.00	80,265,000	78,810,000
Refunding Series B	5/29/2013	8/1/2020	0.35-2.27	35,475,000	32,850,000
2015 Refunding Bonds	10/29/2015	8/1/2036	2.00-5.00	162,855,806	162,855,806
Total Measure M				<u>478,595,806</u>	<u>444,135,806</u>
Total				<u>\$ 813,349,504</u>	<u>\$ 537,367,750</u>

Payments-Measure C

The annual requirements to amortize Measure C bonds payable, outstanding as of June 30, 2016, are as shown herein.

Series A

Year Ending June 30,	Principal	Interest	Total
2017	\$ 595,000	\$ 14,875	\$ 609,875
Total	<u>\$ 595,000</u>	<u>\$ 14,875</u>	<u>\$ 609,875</u>

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 9: GENERAL OBLIGATION BONDS

2005 Refunding Bonds

Year Ending June 30,	Principal	Interest	Total
2017	\$	\$	\$ -
2018			-
2019			-
2020			-
2021	425,933	2,114,067	2,540,000
2022-2023	2,192,934	13,357,065	15,549,999
Total	<u>\$ 2,618,867</u>	<u>\$ 15,471,132</u>	<u>\$ 18,089,999</u>

Series B

Year Ending June 30,	Principal	Accreted Interest	Current Interest	Total
2017	\$ 2,655,000	\$	\$ 63,056	\$ 2,718,056
2018				-
2019				-
2020				-
2021	9,717,577	15,297,423		25,015,000
2022-2023	39,142,254	77,552,746		116,695,000
Total	<u>\$ 51,514,831</u>	<u>\$ 92,850,169</u>	<u>\$ 63,056</u>	<u>\$ 144,428,056</u>

Payments-Measure M

The annual requirements to amortize Measure M bonds payable, outstanding as of June 30, 2016, are as shown herein.

Series A

Year Ending June 30,	Principal	Interest	Total
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	2,335,000	6,545,600	8,880,600
2022-2026	18,335,000	30,828,150	49,163,150
2027-2031	33,135,000	24,954,850	58,089,850
2032-2036	52,715,000	16,048,275	68,763,275
2037-2039	44,030,000	3,086,625	47,116,625
Total	<u>\$ 163,565,000</u>	<u>\$ 108,352,975</u>	<u>\$ 271,917,975</u>

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 9: GENERAL OBLIGATION BONDS

Series B

Year Ending June 30,	Principal	Interest	Total
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
Total	<u>\$ 6,055,000</u>	<u>\$ 132,420</u>	<u>\$ 6,187,420</u>

Tax-Exempt Refunding Series A

Year Ending June 30,	Principal	Interest	Total
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	7,470,000	2,978,000	10,448,000
2022-2025	55,825,000	6,456,625	62,281,625
Total	<u>\$ 78,810,000</u>	<u>\$ 23,941,175</u>	<u>\$ 102,751,175</u>

Taxable Refunding Series B

Year Ending June 30,	Principal	Interest	Total
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	4,875,000	55,234	4,930,234
Total	<u>\$ 32,850,000</u>	<u>\$ 1,444,305</u>	<u>\$ 34,294,305</u>

2015 Refunding Bonds

Year Ending June 30,	Principal	Accreted Interest	Current Interest	Total
2017	\$ 1,720,000	\$	\$ 5,195,150	\$ 6,915,150
2018			5,177,950	5,177,950
2019			5,177,950	5,177,950
2020			5,177,950	5,177,950
2021			5,177,950	5,177,950
2022-2026			25,889,750	25,889,750
2027-2031	30,550,000		23,598,500	54,148,500
2032-2036	125,375,387	57,444,613	4,647,425	187,467,425
2037	5,210,419	7,779,581		12,990,000
Total	<u>\$ 162,855,806</u>	<u>\$ 65,224,194</u>	<u>\$ 80,042,625</u>	<u>\$ 308,122,625</u>

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

Plan Description and Eligibility

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 is prepared.

Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. For employees participating in CalSTRS 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.

<u>Participant Type:</u>	<u>Number of Participants</u>
Retirees and beneficiaries receiving benefits	1,163
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	1,391
Total	<u>2,554</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, 2016, the District contributed \$13,622,607 to the plan.

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. 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 table herein shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

	Balance
	June 30, 2016
<u>Annual OPEB Cost and Net OPEB Asset</u>	
Annual required contribution (ARC)	\$ 9,764,483
Interest on net OPEB obligation	(1,025,019)
Adjustment to ARC	<u>1,503,208</u>
Annual OPEB cost	10,242,672
Contributions made, including implicit rate subsidy	<u>(13,622,607)</u>
Change in net OPEB obligation	(3,379,935)
Net OPEB Asset - beginning of year	<u>(15,073,811)</u>
Net OPEB Asset - end of year	<u><u>\$ (18,453,746)</u></u>

The District's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal year ended 2016 was as shown herein.

Year Ending June 30,	Annual OPEB Cost	Percentage of	Net OPEB Asset
		Annual OPEB Cost Contributed	
2014	\$ 6,443,768	181.30%	\$ 14,913,485
2015	6,462,281	102.48%	15,073,811
2016	10,242,672	133.00%	18,453,746

Funding Status and Funding Progress

As of June 1, 2016, the most recent actuarial valuation date, the actuarial value of plan assets was \$64,528,877 and the plan was 55.42% funded. The actuarial accrued liability for benefits was \$116,430,714 and the unfunded actuarial accrued liability (UAAL) was \$51,901,837. The covered payroll (annual payroll of active employees covered by the plan) was \$125,531,233, and the ratio of the UAAL to the covered payroll was 41.35%. The District has established an irrevocable trust administrated 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 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

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

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.

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, 2016 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 11: 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, 2016, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans as shown herein.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Pension Plan	Proportionate	Deferred	Proportionate	Proportionate
	Share of Net	Outflows of	Share of Deferred	Share of
	Pension Liability	Resources	Inflows of	Pension Expense
			Resources	
CalSTRS - STRP	\$ 98,293,040	\$ 13,861,176	\$ 9,654,980	\$ 8,654,286
CalPERS - Schools Pool Plan	75,999,949	11,418,644	9,560,170	5,843,999
Total	<u>\$ 174,292,989</u>	<u>\$ 25,279,820</u>	<u>\$ 19,215,150</u>	<u>\$ 14,498,285</u>

The details for the governmental fund and the fiduciary fund are as shown herein.

Entity:	Proportionate	Deferred	Proportionate	Proportionate
	Share of Net	Outflows of	Share of Deferred	Share of
	Pension Liability	Resources	Resources	Pension Expense
Governmental Fund	\$ 172,744,626	\$ 25,052,813	\$ 19,020,122	\$ 14,379,067
Fiduciary Fund	1,548,363	227,007	195,028	119,218
Total	<u>\$ 174,292,989</u>	<u>\$ 25,279,820</u>	<u>\$ 19,215,150</u>	<u>\$ 14,498,285</u>

The details of each plan are as included herein.

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.

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.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

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

The STRP provisions and benefits in effect at June 30, 2016, are summarized as shown herein.

Provisions and Benefits	CalSTRS-STRP Defined Benefit Program and Supplement Program	
	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	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.391%	7.391%

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, 2016 are presented above and the total District contributions were \$7,618,862.

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

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

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

	Balance June 30, 2016
Proportionate Share of Net Pension Liability	
District proportionate share of net pension liability	\$ 98,293,040
State's proportionate share of the net pension liability associated with the District	51,986,043
Total	\$ 150,279,083

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.1460%.

For the year ended June 30, 2016, the District recognized pension expense of \$8,654,286 and revenue of \$4,399,716 for support provided by the state. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown herein.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Deferred Outflows and Inflows of Resources		
Pension contributions subsequent to measurement date	\$ 7,618,862	\$
Difference between expected and actual experience		1,642,500
Difference in proportion	6,242,314	
Net differences between projected and actual earnings on plan investments		8,012,480
Total	\$ 13,861,176	\$ 9,654,980

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The remaining amount will be recognized to pension expense as shown herein.

Year Ending June 30,	Amortization
2017	\$ (1,236,484)
2018	(1,236,484)
2019	(1,236,484)
2020	(1,236,484)
2021	766,636
2022	766,634
Total	\$ (3,412,666)

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

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, 2015. The financial reporting actuarial valuation as of June 30, 2013 used the methods and assumptions shown herein, applied to all prior periods included in the measurement.

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.60%
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop an 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:

Asset Class	Long-term	
	Assumed Asset Allocation	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%

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

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 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 is shown herein.

Discount rate	Net Pension Liability
1% decrease (6.60%)	\$ 148,414,840
Current discount rate (7.60%)	98,293,040
1% increase (8.60%)	56,637,780

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 Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

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.

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized herein.

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

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on 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 contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016 are as presented above and the total District contributions were \$7,075,135.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$75,999,949. The net pension liability was measured as of June 30, 2015. The total pension liability for CalPERS 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, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.5156%.

For the year ended June 30, 2016, the District recognized pension expense of \$5,483,999. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources herein.

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Pension Deferred Outflows and Inflows of Resources</u>		
Pension contributions subsequent to measurement date	\$ 7,075,135	\$
Difference between expected and actual experience	4,343,509	
Changes of assumptions		4,669,648
Difference in proportion		2,288,219
Net differences between projected and actual earnings on plan investments		2,602,303
Total	<u>\$ 11,418,644</u>	<u>\$ 9,560,170</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The remaining amounts will be recognized to pension expense as show herein:

<u>Year Ending June 30,</u>	<u>Amortization</u>
2017	\$ (3,207,936)
2018	(3,092,280)
2019	(2,036,989)
2020	3,120,544
Total	<u>\$ (5,216,661)</u>

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014 used the methods and assumptions shown herein, applied to all prior periods included in the measurement.

Actuarial Methods and Assumptions

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.65%
Investment Rate of Return	7.50%
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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized herein.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	51%	5.71%
Global debt securities	19%	2.43%
Private equity	10%	6.95%
Real estate	12%	5.13%
Inflation assets	6%	3.36%
Liquidity	2%	-1.05%

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. 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 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 is shown herein.

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 123,696,248
Current discount rate (7.65%)	75,999,949
1% increase (8.65%)	36,337,289

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 \$922,902 during the fiscal year. The total amount of covered compensation was \$12,308,794.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Total contributions made are 100% of the amount of contributions required for fiscal year 2015-16.

NOTE 12: 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.

NOTE 13: INTERNAL SERVICE FUNDS

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. During July 1, 1998, the District is fully insured for workers' compensation. The Self Insurance Fund also provides for a maximum of \$275,00 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 years.

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

At June 30, 2016, 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, estimated at \$3,265,481, is included in accrued liabilities.

Changes in the reported liability are shown herein.

Reported Liability	Beginning Fiscal Year Liability	Current Year		Ending Fiscal Year Liability
		Claims and Changes in Estimates	Claim Payments	
Workers' Compensation	\$ 513,926	\$ 104,962	\$ 151,957	\$ 466,931
Health and Other Benefits	2,540,065	22,733,576	22,475,091	2,798,550
Total	<u>\$ 3,053,991</u>	<u>\$ 22,838,538</u>	<u>\$ 22,627,048</u>	<u>\$ 3,265,481</u>

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 14: JOINT POWERS AGREEMENTS

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).

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 40 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 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 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 THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 14: JOINT POWERS AGREEMENTS

The most recent condensed financial information available for PIPS, SAFER, SEWUP, and SWACC is shown herein.

	PIPS 6/30/2015 (Unaudited)	SAFER 6/30/2015 (Audited)	SEWUP 6/30/2015 (Audited)	SWACC 6/30/2015 (Audited)
JPA Condensed Financial Information				
Total assets	\$ 109,911,317	\$ 9,564,714	\$ 19,742,565	\$ 53,936,821
Total liabilities	99,473,185	8,036,799	17,899,415	23,420,128
Fund balance	<u>\$ 10,438,132</u>	<u>\$ 1,527,915</u>	<u>\$ 1,843,150</u>	<u>\$ 30,516,693</u>
Total revenues	236,947,407	50,762,271	10,389,665	18,584,083
Total expenditures	<u>238,580,162</u>	<u>49,759,564</u>	<u>11,520,340</u>	<u>18,576,432</u>
Net increase/(decrease) in Fund Balance	<u>\$ (1,632,755)</u>	<u>\$ 1,002,707</u>	<u>\$ (1,130,675)</u>	<u>\$ 7,651</u>

NOTE 15: 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 function is shown herein.

Functional Expense	Salaries	Employee Benefits	Supplies, materials, and other operating expenses and services	Financial Aid	Depreciation	Total
Instructional activities	\$ 64,519,439	\$ 28,864,449	\$ 4,390,048	\$	\$	\$ 97,773,936
Academic support	14,905,078	6,668,174	3,772,430			25,345,682
Student services	20,768,955	9,291,532	4,021,221			34,081,708
Operation and maintenance of plant	6,480,638	2,899,282	5,223,326			14,603,246
Instructional support services	24,419,860	10,924,859	16,019,232			51,363,951
Community services and economic development	332,164	148,602	16,001			496,767
Ancillary services and auxiliary operations	13,626,611	5,182,532	5,007,233			23,816,376
Physical property and related acquisitions	946,216	406,744	7,999,347			9,352,307
Transfers, student aid and other outgo				60,166,625		60,166,625
Depreciation expense					17,609,358	17,609,358
Total	<u>\$ 145,998,961</u>	<u>\$ 64,386,174</u>	<u>\$ 46,448,838</u>	<u>\$ 60,166,625</u>	<u>\$ 17,609,358</u>	<u>\$ 334,609,956</u>

NOTE 16: COMMITMENTS AND CONTINGENCIES

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.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 16: COMMITMENTS AND CONTINGENCIES

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.

Purchase Commitments

As of June 30, 2016, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$66,900,000. Projects will be funded through bond proceeds, state funds and general funds.

NOTE 17: SUBSEQUENT EVENTS

The District sold \$30,000,000 General Obligation Bonds, 2012 Election, Series 2016C on August 31, 2016. The bonds were sold with an interest rate of 0.795% to 1.975% and mature on August 1, 2023. The bonds were sold to finance an endowment for voter-approved technology upgrades, and to pay the costs of issuing these bonds..

The District bought land through the Orange County Sanitation District which escrow closed in July 2016 for the Orange College Campus. The purchase price was \$1,800,000.

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

GASB has issued pronouncements prior to June 30, 2016, 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. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 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

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

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

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 2015-2016 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.

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.

Statement No. 78 - Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

This statement was issued in December 2015 and addresses a practice issue regarding the scope and applicability of Statement No. 68. This issue is associated with pensions provided through certain multiple-employer defined pension plans and to state or local governmental employers whose employees are provided with such pensions. The statement is effective for the fiscal year 2016-17.

Statement No. 80 - Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14

This statement was issued in January 2016 and establishes an additional blending requirement for the financial statement presentation of component units. A component unit should be included in the reporting entity financial statements if the component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member, as identified in the component unit's articles of incorporation or bylaws, and the component unit is

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

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

included in the financial reporting entity pursuant to the provisions in paragraphs 21–37 of Statement 14, as amended. The statement is effective for the fiscal year 2016-17.

Statement No. 81 - Irrevocable Split-Interest Agreements

This statement was issued in March 2016 and establishes guidance in order to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The statement is effective for the fiscal year 2017-18.

Statement No. 82 - Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73

This statement was issued in March 2016 and establishes guidance in order to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for the fiscal year 2016-17.

REQUIRED SUPPLEMENTARY INFORMATION

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE
BENEFITS FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Unit Credit Cost Method)		Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		(AAL)	(AAL)				
5/1/2012	\$ 43,568,462	\$	99,096,647	\$ 55,528,185	43.97%	\$ 123,264,116	45.05%
6/1/2014	57,147,580		92,803,617	35,656,037	61.58%	122,381,856	29.14%
6/1/2016	64,528,877		116,430,714	51,901,837	55.42%	125,531,233	41.35%

See the accompanying notes to the required supplementary information.

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
POSTEMPLOYMENT HEALTHCARE BENEFITS
For the Fiscal Year Ended June 30, 2016

Year Ending June 30,	Annual Required Contribution	Percentage Contributed
2014	\$ 6,409,590	182.28%
2015	6,409,590	103.32%
2016	9,764,483	103.95%

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
For the Fiscal Year Ended June 30, 2016**

<u>California State Teachers' Retirement System - State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability (assets)	0.1360%	0.1460%
District's proportionate share of the net pension liability (asset)	\$ 79,474,320	\$ 98,293,040
State's proportionate share of the net pension liability (asset) associated with the District	<u>47,990,508</u>	<u>51,986,043</u>
Total	<u>\$ 127,464,828</u>	<u>\$ 150,279,083</u>
District's covered-employee payroll	\$ 60,100,000	\$ 67,800,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	132.24%	144.97%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%
 <u>California Public Employees' Retirement System - Schools Pool Plan</u>	 <u>2015</u>	 <u>2016</u>
District's proportion of the net pension liability (assets)	0.5164%	0.5156%
District's proportionate share of the net pension liability (asset)	<u>\$ 58,623,973</u>	<u>\$ 75,999,949</u>
District's covered-employee payroll	\$ 53,300,000	\$ 56,700,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	109.99%	134.04%
Plan fiduciary net position as a percentage of the total pension liability	83.37%	79.43%

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

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS – STRP AND CALPERS
For the Fiscal Year Ended June 30, 2016**

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016
Contractually required contribution	\$ 6,022,305	\$ 7,618,862
Contributions in relation to the contractually required contribution	6,022,305	7,618,862
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 67,800,000	\$ 71,000,000
Contributions as a percentage of covered-employee payroll	8.88%	10.73%
California Public Employees' Retirement System - Schools Pool Plan	2015	2016
Contractually required contribution	\$ 6,678,600	\$ 7,075,135
Contributions in relation to the contractually required contribution	6,678,600	7,075,135
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 56,700,000	\$ 59,700,000
Contributions as a percentage of covered-employee payroll	11.77%	11.85%

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.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

NOTE 1: PURPOSE OF SCHEDULES

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.

Schedule of District Contributions – Postemployment Healthcare Benefits

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

Schedules of District's Proportionate Share of the Net Pension Liability – STRP and CalPERS

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.

Schedules of District Contributions – STRP and CalPERS

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

SUPPLEMENTARY INFORMATION

COAST COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION For the Fiscal Year Ended June 30, 2016

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.

The Board of Trustees and the District Administrators for the fiscal year ended June 30, 2016 were as follows:

BOARD OF TRUSTEES

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

DISTRICT ADMINISTRATORS

Mr. Gene Farrell	Interim Chancellor (fiscal year 2015-2016)
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
Mr. John Weispfenning, Ph.D.	Chancellor (fiscal year 2016-2017)

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Department of Education			
Direct:			
Student Financial Aid Cluster:			
Federal Work Study	84.033	(1)	\$ 507,944
Pell Grant	84.063	(1)	44,441,018
Financial Aid Administrative Allowance	84.063	(1)	126,690
Supplemental Education Opportunity Grant	84.007	(1)	928,574
Federal Direct Student Loans	84.268	(1)	8,771,755
Subtotal: Student Financial Aid Cluster			<u>54,775,981</u>
Pacific Bridge - Asian American and Pacific Islander Students	84.031L	(1)	53,876
Title III - Access 2 Success	84.031A	(1)	729,496
New Asian American Pacific Islander Generation Initiative	84.031L	(1)	176,658
Subtotal: Direct Programs			<u>960,030</u>
Pass-Through Program From California Community Colleges Chancellor's Office:			
Career and Technical Education (CTE):			
CTE Title I, Part C - Carl D. Perkins	84.048A	(1)	1,154,424
CTE Transitions	84.048A	(1)	127,528
Subtotal: CTE			<u>1,281,952</u>
Pass-Through Program From California Department of Education:			
English Literacy and Civic Education	84.002A	(1)	14,639
Adult Education and Family Literacy Act - ESL - 231 Grant	84.002A	(1)	77,452
Subtotal: Passed-Through Programs			<u>92,091</u>
Total: United States Department of Education			<u>57,110,054</u>
United States Department of Agriculture			
Pass-Through Program From California Department of Education:			
Child Care Food Program	10.558	(1)	71,801
Total: United States Department of Agriculture			<u>71,801</u>
United States Department of Health and Human Services			
Pass-Through Program From California Community Colleges Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	130,527
Pass-Through Program From California Department of Education:			
Child Care and Development Block Grant	93.575	15136	91,140
Pass-Through Program From Yosemite Community College District:			
Child Development Training Consortium	93.575	(1)	19,800
Subtotal: Passed-Through Programs			<u>241,467</u>
Total: United States Department of Health and Human Services			<u>241,467</u>

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
National Science Foundation (NSF)			
Direct:			
Virtual Interactive Training Simulator Project	16.753	(1)	<u>55,836</u>
Total: National Science Foundation			<u>55,836</u>
Passed-Through From Whatcom Community College:			
CyberWatch West	47.076	DUE-1361636	36,196
CyberWatch West: Securing Cyber West	47.076	DUE-1500375	<u>23,257</u>
Subtotal: Passed-Through Programs			<u>59,453</u>
Total: United States Department of Health and Human Services			<u>115,289</u>
United States Department of Interior			
Pass-Through Program From Department of Parks and Recreation:			
Aquatic Center	15.622	68106	<u>14,214</u>
Total: United States Department of Interior			<u>14,214</u>
Total Federal Programs			<u><u>\$ 57,552,825</u></u>
Student Financial Aid Loan Programs:			
<u>Loan Outstanding</u>			
Perkins Loan Program, loan balance outstanding as of 06/30/16	84.038	(1)	<u><u>\$ 1,604,683</u></u>

(1) Pass-Through Entity Identifying Number not readily available or not applicable

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, 2016**

Program Name	Program Revenues					Total Program Expenditures	
	Cash Received	Prior Year Unearned Revenue	Accounts Receivable	Unearned Revenue	Accounts Payable		
State Categorical Aid Programs:							
AB 86 Adult Consortium Planning	\$	\$ 20,497	\$	\$	\$	\$ 20,497	\$ 20,497
Board Financial Assistance Admin Allowance	1,535,548					1,535,548	1,535,548
Basic Skills (S.F.A.A)	454,070	385,814		406,870		433,014	433,014
Cal Grant	3,720,195	340,313		844,014		3,216,494	3,216,494
Disabled Student Programs & Service (DSPS)	3,106,087					3,106,087	3,106,087
Economic Opportunity (EOPS)	3,169,357					3,169,357	3,169,357
EOPS-Coop Agency Resource Education (CARE)	249,097					249,097	249,097
CalWORKs	568,735					568,735	568,735
Career Technical Education Enhancement	288,194	170,622	420,935			879,751	879,751
Career Technical Education Pathways Initiative		608,998	59,594			668,592	668,592
Child Development	744,885					744,885	744,885
Instructional Equipment and Library Materials	500,000			99		499,901	499,901
Full-time Student Success Grant	922,740			212,671		710,069	710,069
Schedule of Maintenance	3,727,917	2,842,719		2,671,488	37,723	3,861,425	3,861,425
State Capital Outlay (Prop 39 Clean Energy)	933,341			490,718		442,623	442,623
State Hospitals (Fairview Handicapped)	632,817					632,817	632,817
Student Equity Program	3,207,138	1,360,722	14	2,004,971	62,474	2,500,429	2,500,429
Student Success and Support Program (SSSP) Credit	6,881,106	2,108,331		2,359,194		6,630,243	6,630,243
Total State Categorical Aid Programs	<u>\$ 30,641,227</u>	<u>\$ 7,838,016</u>	<u>\$ 480,543</u>	<u>\$ 8,990,025</u>	<u>\$ 100,197</u>	<u>\$ 29,869,564</u>	<u>\$ 29,869,564</u>

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, 2016**

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2015 only)			
1. Noncredit ¹	23.72		23.72
2. Credit ¹	2,926.43		2,926.43
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit ¹	0.03		0.03
2. Credit ¹	572.77		572.77
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	20,499.26		20,499.26
(b) Daily Census Contact Hours	1,175.24		1,175.24
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit ¹	264.91		264.91
(b) Credit ¹	1,119.14		1,119.14
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	4,373.63		4,373.63
(b) Daily Census Contact Hours	1,668.67		1,668.67
(c) Noncredit Independent Study/Distance Education Courses			-
D. Total FTES	<u>32,623.80</u>	<u>-</u>	<u>32,623.80</u>
Supplemental Information (subset of above information)			
E. In-service Training Courses (FTES)	15.48		15.48
H. Basic Skills courses and Immigrant Education			
(a) Noncredit ¹	211.50		211.50
(b) Credit ¹	2,676.55		2,676.55
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	-		-
Centers FTES			
(a) Noncredit ¹	-		-
(b) Credit ¹	-		-

¹ Including Career Development and College Preparation (CDCP) FTES

COAST COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

The audit resulted in no adjustments to the fund balances reported on the June 30, 2016 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. In accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Additional entries were made to comply with the governmental reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

A reconciliation between the fund balances reported on the June 30, 2016 Annual Financial and Budget Report (CCFS-311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown below and on the following page:

General Fund Balance	\$ 47,567,578	
Post-closing entry	<u>705,378</u>	
General Fund Balance - Revised		\$ 48,272,956
Bond Interest and Redemption Fund Balance		31,993,590
Capital Outlay Fund Balance		23,323,751
Measure M - Bond Construction Funds Balance		88,622,712
Self-Insurance Fund Balance	91,105,963	
Amount reported as OPEB Plan Fund Balance	(65,693,627)	
Incurred but not reported liability	<u>(3,265,481)</u>	
Self-Insurance Fund Balance - Revised		22,146,855
All Other Funds		<u>16,315,091</u>
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)		<u>\$ 230,674,955</u>

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, 2016**

Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	\$ 230,674,955
Notes receivable is recognized in the statement of net position. The repayment of notes receivable is reported as revenue in the governmental funds, but the repayment reduces the notes receivable in the statement of net position.	13,687,500
Amounts reserved for other post employment retirement plans in excess of annual required contributions is reported as a liability in the governmental funds. These amounts are recognized as assets which will apply against future required contributions.	18,453,746
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Net capital assets of \$5,522,250 is already recorded in other governmental funds. Capital assets, net of accumulated depreciation are added to total net assets.	454,103,468
Deferred charges on refunding debt are recorded as deferred outflows and are amortized over the life of the refunded debt.	28,645,281
Deferred outflows of resources - pensions are for contributions made during the fiscal year that are removed from expenses and differences between estimated and actual results. The contributions will be recognized as a reduction of the net pension liability in the subsequent year and the differences will be amortized.	25,052,813
Capital lease are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. The liability is added to the statement of net position which reduces the total net assets reported.	(268,295)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds. The short term portion of compensated absences of \$741,457 is already recorded in the General Fund.	(5,375,134)
Long-term liabilities related to bonds are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Bond related liabilities are added to the statement of net position which reduces the total net assets reported.	(583,069,748)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension liabilities.	(172,744,626)
Deferred inflows of resources - pensions represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources – pensions, results from various differences between estimated and actual results. These amounts are deferred and amortized.	(19,020,122)
Interest expense related to bonds incurred through June 30, 2016 is accrued as a current liability on the statement of net position which reduces the total net assets reported.	<u>(5,133,878)</u>
Total net position	<u>\$ (14,994,040)</u>

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, 2016**

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
Object/TOP Codes		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries - Contract or Regular	1100	34,837,394		34,837,394	34,837,394		34,837,394
Instructional Salaries - Other	1300	27,542,384		27,542,384	27,542,384		27,542,384
Total Instructional Salaries		62,379,778	-	62,379,778	62,379,778	-	62,379,778
Non-Instructional Salaries - Contract or Regular	1200			-	12,604,179		12,604,179
Non-Instructional Salaries - Other	1400			-	1,859,641		1,859,641
Total Non-Instructional Salaries		-	-	-	14,463,820	-	14,463,820
Total Academic Salaries		62,379,778	-	62,379,778	76,843,598	-	76,843,598
<u>Classified Salaries</u>							
Non-Instructional Salaries - Regular Status	2100			-	31,743,941		31,743,941
Non-Instructional Salaries - Other	2300			-	3,228,376		3,228,376
Total Non-Instructional Salaries		-	-	-	34,972,317	-	34,972,317
Instructional Aides - Regular Status	2200	3,088,411		3,088,411	3,088,411		3,088,411
Instructional Aides - Other	2400	1,316,731		1,316,731	1,316,731		1,316,731
Total Instructional Aides		4,405,142	-	4,405,142	4,405,142		4,405,142
Total Classified Salaries		4,405,142	-	4,405,142	39,377,459	-	39,377,459
Employee Benefits	3000	25,375,662		25,375,662	50,934,759		50,934,759
Supplies and Materials	4000			-	1,983,527		1,983,527
Other Operating Expenses	5000			-	16,787,255		16,787,255
Equipment Replacement	6420			-			-
Total Expenditures Prior to Exclusions		92,160,582	-	92,160,582	185,926,598	-	185,926,598
<u>Exclusions</u>							
<u>Activities to Exclude</u>							
Instructional Staff-Retirees' Benefits & Retirement Incentives	5900	5,003,591		5,003,591	5,003,591		5,003,591
Student Health Services Above Amount Collected	6441			-	41,209		41,209
Student Transportation	6491			-	427,368		427,368
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740			-	6,512,027		6,512,027
<u>Objects to Exclude</u>							
Rents and Leases	5060			-	993,613		993,613
Lottery Expenditures				-			
Academic Salaries	1000			-	2,663,847		2,663,847
Classified Salaries	2000			-			-
Employee Benefits	3000			-	771,748		771,748
Software	4100			-			-
Books, Magazines, & Periodicals	4200			-			-
Instructional Supplies & Materials	4300			-			-
Noninstructional, Supplies & Materials	4400			-			-
Other Operating Expenses and Services	5000			-	1,373,619		1,373,619
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment - Additional	6410			-			-
Equipment - Replacement	6420			-			-
Other Outgo	7000			-			-
Total Exclusions		5,003,591	-	5,003,591	17,787,022	-	17,787,022
Total for ECS 84362, 50% Law		87,156,991	-	87,156,991	168,139,576	-	168,139,576
Percent of CEE (Instructional Salary Cost/Total CEE)		51.84%	0%	51.84%	100%	0%	100%
50% of Current Expense of Education					84,069,788	-	84,069,788

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, 2016**

	<u>2017 (Budgeted)</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total revenues	\$ 249,426,772	\$ 256,368,317	\$ 213,701,133	\$ 198,227,136
Total expenditures	250,176,772	244,389,882	214,928,037	199,633,611
Total other sources	<u>750,000</u>	<u>771,906</u>	<u>687,768</u>	<u>500,000</u>
Change in fund balance	-	12,750,341	(539,136)	(906,475)
Ending fund balance	<u>\$ 48,272,956</u>	<u>\$ 48,272,956</u>	<u>\$ 35,522,615</u>	<u>\$ 36,061,751</u>
Available reserve	<u>\$ 27,305,716</u>	<u>\$ 45,753,622</u>	<u>\$ 32,464,301</u>	<u>\$ 31,585,772</u>
Available reserve %	10.91%	18.72%	15.10%	15.82%
Full-time equivalent students	<u>32,623</u>	<u>32,624</u>	<u>30,924</u>	<u>32,622</u>
Total long term debt	<u>\$ 599,126,363</u>	<u>\$ 593,219,634</u>	<u>\$ 595,352,888</u>	<u>\$ 612,874,665</u>

IMPORTANT NOTES:

Available reserve balance is the amount designated for general reserve and any other remaining undesignated amounts in the General Fund. The 2017 budget reserve balance was estimated using the budgeted contingency reserve balances less other 2016 amounts reserved.

The 2017 budget is the Plan and Budget adopted by the Board of Trustees on September 7, 2016.

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.

2014 and 2015 amounts for state revenues and employee benefits have not been revised to include amounts for on-behalf payments.

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2016**

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenue</u>			
Revenue from Federal Sources			
Higher Education Act	\$ 1,512,539	\$ 865,167	\$ (647,372)
Temporary Assistance for Needy Families (TANF)	130,527	130,527	-
Career and Technical Education Act	1,399,705	1,281,951	(117,754)
Other Federal Revenue	1,084,929	970,890	(114,039)
Revenue from State Sources			
General Apportionments	54,669,242	48,510,217	(6,159,025)
Categorical Apportionments	33,295,537	27,613,227	(5,682,310)
Other State Revenues	30,171,430	25,582,140	(4,589,290)
Revenue from Local Sources			
Property Taxes	105,032,563	114,654,192	9,621,629
Interest and Investment Income	160,000	466,079	306,079
Student Fees and Charges	28,411,081	29,405,476	994,395
Other Local Revenue	6,258,861	7,660,357	1,401,496
Total Revenue	<u>262,126,414</u>	<u>257,140,223</u>	<u>(4,986,191)</u>
<u>Expenditures</u>			
Academic Salaries	84,335,602	83,584,655	750,947
Classified Salaries	56,135,704	52,920,350	3,215,354
Employee Benefits	59,505,005	65,334,008	(5,829,003)
Supplies and Materials	6,056,798	4,327,675	1,729,123
Other Operating Expenses & Services	59,136,278	23,079,198	36,057,080
Capital Outlay	3,761,066	3,772,920	(11,854)
Other Uses	3,370,706	2,821,076	549,630
Total Expenditures	<u>272,301,159</u>	<u>235,839,882</u>	<u>36,461,277</u>
Excess (deficiency) of revenues over expenditures	<u>(10,174,745)</u>	<u>21,300,341</u>	<u>31,475,086</u>
<u>Other Financing Sources (Uses)</u>			
Interfund Transfers Out	<u>(1,500,125)</u>	<u>(8,550,000)</u>	<u>(7,049,875)</u>
Total Other Financing Sources (Uses)	<u>(1,500,125)</u>	<u>(8,550,000)</u>	<u>(7,049,875)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (11,674,870)</u>	12,750,341	<u>\$ 24,425,211</u>
Fund Balance at Beginning of Year		<u>35,522,615</u>	
Fund Balance at End of Year		<u>\$ 48,272,956</u>	

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District did not use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Schedule of State Financial Assistance - Grants

The Schedule of State Financial Assistance was prepared on the modified accrual basis of accounting

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 District's annual source of funding.

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 June 30, 2016 Annual Financial and Budget Report (Form CCFS-311). This schedule shows a reconciliation between the governmental fund balances on the June 30, 2016 CCFS-311, based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting shown.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

NOTE 1: PURPOSE OF SCHEDULES

Reconciliation of 50 Percent Law Calculation

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

Proposition 30 Education Protection Account Expenditure Report

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

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.

Schedule of Budgetary Comparison for the 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

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

Employee Benefits	\$5,829,003
Capital Outlay	11,854
Interfund Transfers Out	7,049,875

OTHER INDEPENDENT AUDITOR'S REPORT

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

The Board of Trustees
Coast Community College District
Costa Mesa, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of Coast Community College District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements and have issued our report thereon dated November 16, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, as described in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness, see finding 2016-001.

**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 the 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 16, 2016



Vicenti, Lloyd & Stutzman, CPAs

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

The Board of Trustees
Coast Community College District
Costa Mesa, California

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) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as findings 2016-002 and 2016-003. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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

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

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 2016-002 and 2016-003 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 is 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 compliance 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 16, 2016



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

The Board of Trustees
Coast Community College District
Costa Mesa, California

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

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 *2015-16 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 the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the laws and regulations applicable to the following items:

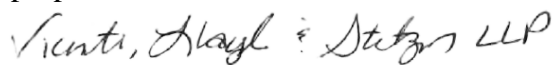
<u>Section</u>	<u>Description</u>	<u>Procedures Performed</u>
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Instructional Service Agreements/Contracts	Not applicable
424	State General Apportionment Funding System	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Concurrent Enrollment of K-12 Students in Community College Credit Courses	Yes
429	Student Success and Support Program (SSSP)	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
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Yes
490	Proposition 1D State Bond Funded Projects	Not applicable
491	Proposition 30 Education Protection Account Funds	Yes

Opinion on State Compliance

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

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 *2015-16 Contracted District Audit Manual*, published by the California Community College Chancellor's Office. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 16, 2016

FINDINGS AND QUESTIONED COSTS

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2016

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u>X</u>	Yes	<u> </u>	No
Significant deficiency(ies) identified?	<u> </u>	Yes	<u>X</u>	None Reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u>X</u>	No

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified?	<u> </u>	Yes	<u>X</u>	No
Significant deficiency(ies) identified?	<u>X</u>	Yes	<u> </u>	None Reported

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

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

Identification of Major Federal Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, and 84.268	Student Financial Aid Cluster

Dollar threshold used to distinguish between type A and type B programs: \$1,726,585

Auditee qualified as low-risk auditee? Yes X No

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO THE FINANCIAL STATEMENTS

June 30, 2016

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.

2016-001 RECONCILIATION AND CLOSING PROCEDURES

Original Finding: 2014-001

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 23 bank accounts of which nine accounts reconciled to the general ledger, ten accounts have no bank reconciliation reports, and four 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 for the year end
- Journal entries of \$705,378 were recorded and later reversed which caused the beginning balance to not reconcile to either the 2013-14 or 2014-15 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.

District Response: The District will establish a system of monthly reconciliations and closing procedures. These monthly reconciliations will consist of the following:

- a) Documentation supporting the reconciliation of bank balance to the account balance in the general ledger.
- b) Account reconciliations will be completed and reviewed in a timely manner by creating

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2016

2016-001 RECONCILIATION AND CLOSING PROCEDURES

due dates for reconciliations, and a review of the unidentified differences and posting the necessary adjustments timely.

- c) The account reconciliation process will be reviewed quarterly to identify improvements that help ensure quality, accuracy and completeness of the reconciliations.
- d) Year-end accruals in pre-paid and accounts payable accounts will be reviewed and corrected as appropriate.
- e) We will establish procedures to reconcile auxiliary charges to District Fund 81 balances. In addition, we will establish procedures and timelines to ensure all audit adjusting entries are posted when required.

COAST COMMUNITY COLLEGE DISTRICT

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

June 30, 2016

2016-002 Return to Title IV

Federal Program: Student Financial Aid Cluster (84.038, 84.063, and 84.268)

CFDA Number:

Federal Award Number & Year: P268K163665, P268K161161, P268K163665, P063P153665, P063P151139, P063P151161, 2015-2016

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

Name of the Pass-through Agency: Not applicable

Campus: Coastline College (CCC), Golden West College (GWC), and Orange Coast College (OCC)

Criteria : According to 34 CFR 668.22(1)(3)(i), “For a student who provides notification to the institution of his or her withdrawal, the student's withdrawal date as determined under paragraph (c) [...the date, as determined by the institution, that the student otherwise provided official notification to the institution, in writing or orally, of his or her intent to withdraw] ... or the date of notification of withdrawal”.

According to 34 CFR 668.22(j)(1), an institution must return the amount of title IV funds for which it is responsible under paragraph (g) as soon as possible but no later than 45 days after the date of the institution’s determination that the student withdrew as defined in (1)(3).

Condition: From a sample of Return to Title IV (R2T4) students selected for file testing, we verified the R2T4 calculation including the determination and return to the U.S. Department of Education's Grant Management System (G5). A total of 47 students, 13 at CCC, 15 at GWC, and 19 at OCC, were selected for R2T4 testing which includes recalculation, timing of determination, and verification of the funding was returned through G5.

- From the total, the determination period was not met for 28 students; the student notified campus that he/she was withdrawing and R2T4 calculation was not done at the time per regulation. Of the 28 students noted, eight were at CCC, 10 were at GWC, and 10 were at OCC.
- From the total, three students did not have R2T4 returned within 45 days. One student is from GWC and two were from OCC.

Context: A total of 47 students, 13 at Coastline Campus (CCC), 15 at Golden West Campus (GWC), and 19 at Orange Coast Campus (OCC), were selected for R2T4 testing. From the total, 28 students did not meet the determination period (eight at CCC, 10 at GWC, and 10 at OCC). From the students selected for testing, 24 students’ R2T4 calculated for no funds to be returned. There were four students’ R2T4 funds that were not returned by the timeframe, two from GWC and two from OCC.

Effect: Not in compliance with 34 CFR 668.22(1)(3)(i) and 34 CFR 668.22(j)(1)

COAST COMMUNITY COLLEGE DISTRICT

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

June 30, 2016

2016-002 Return to Title IV

Cause: Unknown

Total Program Expenditures: \$54,775,981

Questioned Costs and Units: Not applicable

Recommendation: Implement procedures to ensure the timeframes indicated by 34 CFR 668.22(1)(3)(i) and 34 CFR 668.22(j)(1).

Corrective Action Plan: All 2015-16 Return to Title IV calculations were completed and all applicable funds were returned to the U.S. Department of Education's Grant Management System (G5) by all three colleges in the District.

As a result of the external auditor visits in April and August 2016, the Return to Title IV (R2T4) procedures have been revised to ensure that the Colleges meet all required timelines and calculations.

The Condition/Context of the audit finding report dated June 30, 2016, 2016-002 indicated that from the total of 47 students selected for file testing, 28 students notified the campus that he/she was withdrawing and R2T4 calculation were not done at the time per regulation 34 CFR 668.22(1)(3)(i). Of the 28 students noted, eight were from CCC, 10 were at GWC, and 10 were at OCC.

In fall 2015, staff was processing a large percentage of students "dropping" all units as official withdrawals and others were seeking a Last Day of Attendance (LDA) from faculty. By the time spring 2016 started, further clarification and training was provided to staff on how to process R2T4 official and unofficial withdrawals and understanding the difference between the two types of withdrawals and related difference in R2T4 processing rules.

Although the colleges have an official withdrawal process, rarely does a student utilize this option to inform the college that she/he is withdrawing for the term. When looking at the total file testing sample, not one student officially withdrew from either college. Outside the sample testing, Orange Coast College (OCC) had only one student notify the college of the withdrawal by submitting the official withdrawal form. Coastline Community College (CCC) had two students notify the college of their withdrawal submitting the official withdrawal form and Golden West College (GWC) had none.

The Colleges have implemented the following R2T4 procedures for official and unofficial withdrawals as institutions not required to take attendance (except for students in online courses which are treated differently).

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

June 30, 2016

2016-002 Return to Title IV

The Colleges refer to the federal handbook for all federal regulations pertaining to Return to Title IV at <http://ifap.ed.gov/fsahandbook/attachments/1617FSAHbkVol5Master.pdf>

The Financial Aid Office is required by federal statute to recalculate federal financial aid eligibility for students who withdraw, drop out, dismissed, or take an unapproved leave of absence prior to completing 60% of the payment period or term.

If a student leaves the institution prior to completing 60% of the payment period, the Financial Aid Office recalculates eligibility for Title IV funds. Recalculation is based on the percentage of earned aid using the following Federal Return of Title IV funds formula:

- a. Percentage of payment period or term completed = the number of days completed up to the withdrawal date divided by the total days in the payment period or term. (Any break of five days or more is not counted as part of the days in the term.) This percentage is also the percentage of earned aid.
- b. Funds are returned to the appropriate federal program based on the percentage of unearned aid using the following formula:
 - i. Aid to be returned = (100% of the aid that could be disbursed minus the percentage of earned aid) multiplied by the total amount of aid that could have been disbursed during the payment period or term.
 - ii. If a student earned less aid than was disbursed, the institution would be required to return a portion of the funds and the student may be required to return a portion of the funds. Keep in mind that when Title IV funds are returned, the student borrower may owe a debit balance to the institution.
 - iii. If a student earned more aid than was disbursed to him/her, the institution would owe the student a post-withdrawal disbursement, which must be paid within 120 days of the student's withdrawal.

Types of Withdrawals

- Official Withdrawal - a student begins the official withdrawal process or provides official notification to the college of his or her intent to withdraw. The date of the institution's determination that the student withdrew would be the date the student began the official withdrawal process or the date of the student's notification, whichever is later.
- Unofficial Withdrawals - Encompasses all other withdrawals where official notification is not provided to the college.

The colleges have now in place revised R2T4 procedures to ensure the correct calculation and determination of R2T4 and timely return of applicable funds. These procedures are described in the R2T4 Procedure Manual.

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS

June 30, 2016

2016-003 SFA Finding related to Common Origination and Disbursement (COD)

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

Federal Award Number and Year: P268K163665, P268K161161, P268K163665,
P063P153665, P063P151139, P063P151161, 2015-2016

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

Name of the Pass-through Agency: Not applicable

Campus: Coastline College (CCC), Golden West College (GWC), and Orange Coast College (OCC)

Criteria: According to 34 CFR 668.164(a), “the disbursement date is the date that a school credits a student’s account at the school or pays a student or parent borrower directly with Title IV funds received from the U.S. Department of Education (the Department) or with institutional funds in advance of receiving Title IV program funds. This is the date that a school must report to the COD [Common Origination and Disbursement] System as the actual disbursement date for a Direct Loan, as distinguished from the anticipated disbursement date”.

Condition: File testing at OCC was based on a sample size of 29 students; noted that 22 students’ COD disbursement dates did not match the students’ actual disbursement dates. Each student had more than one disbursement reported on COD. For the 22 errors noted, 12 students had incorrect COD disbursement dates for all disbursement received and the remaining 10 students had one disbursement date that did not correspond.

At the other two campuses, GWC and CCC, we noted no issues during the initial file testing; noted that these campuses corrected the file before testing was performed, which aligns to the guidance that it is acceptable to revise the dates in the COD system when errors are found. An additional 25 students were selected per campus and issues related to incorrect dates were noted. At both campuses, all students’ in the additional sample had COD disbursement dates that did not match the actual date disbursements were received.

Context: At OCC, 22 out of the original 29 students tested had COD disbursement dates that did not match the actual date disbursements were received. For both GWC and CCC, the additional 25 students tested, all contained errors between the COD disbursement date and the actual disbursement date.

Effect: Not in compliance with 34 CFR 668.164(a).

Cause: There was an initial misunderstanding of the date to use. Within the Banner system, the federal awards are directly applied to the student’s outstanding balance; therefore, the COD disbursement date should reflect the Banner system date.

Total Program Expenditures: \$54,775,981

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

June 30, 2016

2016-003 SFA Finding related to Common Origination and Disbursement (COD)

Questioned Costs and Units: Not applicable

Recommendation: Implement procedures to report accurate information. For errors noted in FY15-16, perform procedures to correct and reconcile between COD and students' actual disbursements.

Corrective Action Plan: In fall 2015, the District and the colleges became aware of the discrepancies in posted disbursement dates for specific transactions of Title IV program funds between the Common Origination and Disbursement (COD) and the District's Enterprise Resource Planning System Banner student ledger. The reason for this discrepancy was an initial misunderstanding of the date to use. Within the Banner system, the federal awards are directly applied to the student's outstanding balance. The federal awards are loaded through a process that transfers information from the financial aid management system PowerFails, which is a standalone system outside Banner, to the Banner Students Accounts Receivables module. The COD date that the staff posted in COD was the date when the student received the balance of the funds through the refund process not the date when the federal awards were posted to the student account in the Banner Students Accounts Receivables module. The COD date should have been the Banner system date when the federal awards were directly applied to the student's outstanding balance.

Once the staff understood this misunderstanding and discrepancy, staff attempted to adjust the setup in the PowerFails financial aid management software for the 2015-16 aid year. However, because some 2015-16 aid year disbursements had already taken place, PowerFails does not allow the setup to be changed. As a result, all COD dates for 2015-16 need to be adjusted manually.

The sample files used by the external auditors for the 2015-16 aid year reflected that some of the dates have already been aligned and some were not at the time of the review. The colleges are in the process of aligning the COD disbursements dates with the student ledger disbursement dates for the 2015-16 aid year. Due to the magnitude of the project and staffing capacity, the process of aligning the dates in COD manually will take some time.

Below is a summary of the current status for each college:

Coastline Community College – there are 3,206 students with approximately 6 disbursements each for the 2015-16 aid year that need dates in COD aligned. This represents about 19,236 dates in COD to align.

- As of November 4, 2016, approximately 2,905 students and 17,430 dates in COD remained to be aligned.

COAST COMMUNITY COLLEGE DISTRICT

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

June 30, 2016

2016-003 SFA Finding related to Common Origination and Disbursement (COD)

Golden West College (GWC) – there are 6,000 students with approximately 6 disbursements each for the 2015-16 aid year that need dates in COD aligned. This represents about 36,000 dates in COD to align.

- As of November 4, 2016, approximately 3,900 students and 23,400 dates in COD remain to be aligned.

Orange Coast College (OCC) – there are 8,011 students with approximately 6 disbursements each for the 2015-16 aid year that need dates in COD aligned. This represents about 48,000 dates in COD to align.

- As of November 4, 2016, approximately 7,800 students and 46,800 dates in COD remain to be aligned.

For the 2016-17 aid year, PowerFails was set up correctly prior to any 2016-17 disbursements. The dates in COD and the Banner student ledger match for all 2016-17 disbursements.

In order to enhance the District's financial aid system, the District decided to move forward with the implementation of the Banner Financial Aid module which is integrated within the Banner Enterprise Resource Planning System. The implementation of Banner Financial Aid will remove the outside and additional current financial aid management system PowerFails, helping the District to reconcile and work within one system to improve efficiency and accuracy. This will eliminate the need for data loads between various internal systems and from Banner to COD. This will also eliminate the timing delays, since information will be submitted from Banner to COD as the disbursement process is run in Banner. The Banner Financial Aid implementation is scheduled for January 2017 for the 2017-18 aid year.

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2016

There were no findings and questioned costs related to state awards for the year ended June 30, 2016.

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2016

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.

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

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2016

2015-001 Reconciliation and Closing Procedures

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.

Status: Implemented reconciliation for account object codes 91608, 91609, and 951911 and other accounts related to the grant module. The remaining items were not implemented. See current year finding 2016-001.

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.

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2016

2015-002 Enrollment Status Reporting – National Student Loan Data System (NSLDS)

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.

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

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2016

2015-002 Enrollment Status Reporting – National Student Loan Data System (NSLDS)

**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)
 - 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

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2016

2015-002 Enrollment Status Reporting – National Student Loan Data System (NSLDS)

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.

Status: Implemented.

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(1)(3), when a student unofficially drops, the school must

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2016

2015-003 Return to Title IV

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(1)(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.

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.

Status: Not implemented. See current year finding 2016-002.

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2016

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.

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

COAST COMMUNITY COLLEGE DISTRICT

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2015-004 Return to Title IV

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.

Status: Implemented.

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

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June 30, 2016

2015-005 Return to Title IV

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.

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.

Status: Implemented.

CONTINUING DISCLOSURE INFORMATION

COAST COMMUNITY COLLEGE DISTRICT

**2015-16 LARGEST LOCAL SECURED TAXPAYERS (UNAUDITED)
June 30, 2016**

2015-16 Largest Local Secured Taxpayers (1)

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2015-16 Assessed Valuation</u>	<u>% of Total⁽²⁾</u>
1. The Irvine Company	Commercial	\$1,751,064,338	1.52%
2. Oxy USA Inc.	Oil & Gas	509,126,663	0.44
3. South Coast Plaza	Commercial	328,191,592	0.29
4. United Dominion Realty LP	Apartments	282,210,644	0.25
5. Rreef America REIT II Corp. CCCC2	Commercial	266,146,562	0.23
6. Westminster Mall LLC	Commercial	255,151,962	0.22
7. Bella Terra Associates LLC	Commercial	211,987,190	0.18
8. Mayer Financial LP	Commercial	194,560,170	0.17
9. Block 500 Newport Center Drive LLC	Commercial	188,635,444	0.16
10. Hyundai Motor America	Commercial	188,098,303	0.16
11. McDonnell Douglas Corp.	Industrial	181,396,663	0.16
12. JKS-CMFV LLC	Commercial	173,488,491	0.15
13. Marjack LLC Irvine Company	Apartments	151,349,900	0.13
14. Interinsurance Exchange of the Automobile Club of America	Commercial	128,912,592	0.11
15. UDR Newport Beach North LLP	Apartments	127,976,292	0.11
16. Casden Lakes LP	Apartments	125,040,039	0.11
17. Balboa Bay Club Centures	Commercial	124,029,568	0.11
18. Coronado South Apartments LP	Apartments	122,861,948	0.11
19. ASN Long Beach LLC	Apartments	115,587,755	0.10
20. DCOR LLC	Oil & Gas	108,733,434	0.09
		<u>\$5,534,549,550</u>	<u>4.82%</u>

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

(2) % of total assessed valuation for the fiscal year 2015-16 of \$114,934,665,511