

COAST COMMUNITY COLLEGE DISTRICT

ORANGE COUNTY

**REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2014**



COAST COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2014

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COAST COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Coast Community College District as of and for the year ended June 30, 2014, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the Coast Community College District as of June 30, 2014, 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, the schedule of postemployment healthcare benefits funding progress, and the schedule of employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Coast Community College District financial statements as a whole. The supplementary schedules and the continuing disclosure information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Coast Community College District.

Board of Trustees
Coast Community College District

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2014 on our consideration of the Coast Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coast Community College District's internal control over financial reporting and compliance.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 12, 2014

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2014

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, 2014. 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 and welfare benefit costs continue to rise and are being monitored. Additional funds were set aside to fund the future retiree benefits liability. Over \$57 million has been set aside to meet the District’s liability of approximately \$93 million.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2014

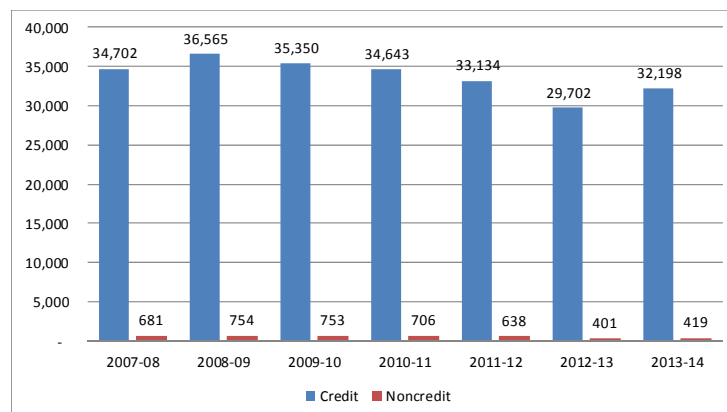
The District runs the Banner financial software which is integrated with the human resources and student systems. The District uses the position budgeting feature to build the budgets and allows on-line budget transfers for faster, more accurate processing. The Banner financial software is also used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

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

During fiscal year 2012-13, a \$315.7 million issuance was executed involving both a refunding of an earlier Measure C issuance and an initial Measure M issuance. Proceeds from the sale of the bonds are to be used to finance the construction, acquisition, and modernization of certain property and District facilities while \$159.2 million were used to provide funds needed to refund a portion of Measure C general obligation bonds and certain other obligations of the District. As of June 30, 2014, approximately \$144 million in capital projects funds were unspent.

Moving into the 2013-14 FY brought an entirely different outlook on enrollment planning as the District took significant steps to recover from prior year Stabilization and move toward a mode of expanding course offerings and service to the community. The 2013-14 P-1 enrollment report reflected 32,871 FTES, indicating growth of 2,768 FTES, or approximately 9% above prior year. Demand softened somewhat at P-2. Total reported FTES at P-2 (April 2014) was 32,616, which included 32,098 earned and 522 “borrowed” FTES from summer 2014. As the summer term straddles the fiscal year, we are able to report FTES earned in summer in either the current or following fiscal year. The annual enrollment report for the 2013-14 FY reflected approximately 32,620 FTES.

Annual Enrollment
Full-Time Equivalent Students (FTES)



COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2014

Statement of Net Position

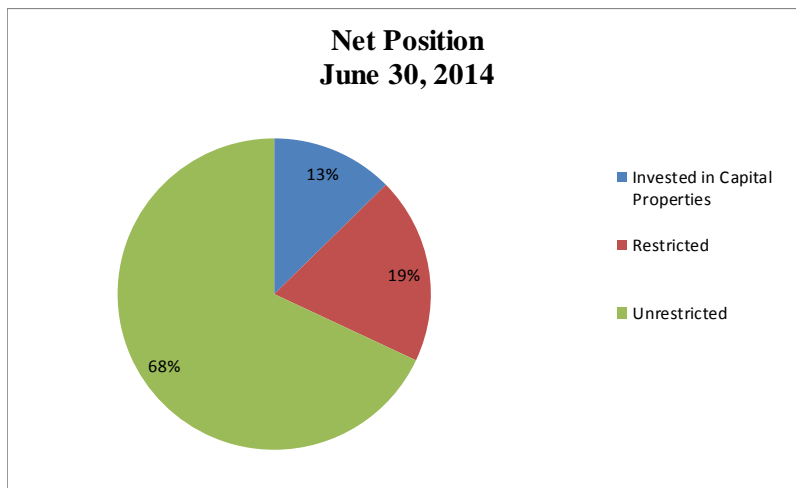
The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net position, the difference between total assets and deferred outflows of resources, and total liabilities and deferred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

	(in thousands)		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 56,083	\$ 82,790	-32%
Investments	9,992	-	
Account receivables	27,872	14,776	89%
Notes receivable - current portion	500	500	0%
Inventories	60	128	-53%
Prepaid expenses	<u>3,417</u>	<u>1,420</u>	141%
Total current assets	<u>97,924</u>	<u>99,614</u>	-2%
Non-current assets			
Restricted cash and cash equivalents	203,748	216,267	-6%
Restricted student loans receivable	2,599	2,626	-1%
Notes receivable	14,625	15,125	-3%
Other post-employment benefit asset	14,913	9,674	54%
Capital assets, net of depreciation	<u>417,289</u>	<u>403,606</u>	3%
Total non-current assets	<u>653,174</u>	<u>647,298</u>	1%
TOTAL ASSETS	<u>751,098</u>	<u>746,912</u>	1%
DEFERRED OUTFLOW OF RESOURCES			
Deferred charge on refunding	15,646	16,891	-7%
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	28,983	19,882	46%
Unearned revenue	6,142	7,582	-19%
Due to fiduciary fund		354	N/A
Compensated absences payable - current portion	741	741	0%
Estimated liability for open claims and IBNR's	3,004	2,692	12%
Capital leases	161	154	5%
General obligation bond payable - current portion	<u>22,030</u>	<u>15,760</u>	40%
Total current liabilities	<u>61,061</u>	<u>47,165</u>	29%
Non-current liabilities			
Compensated absences payable less current portion	3,919	3,096	27%
Capital leases	437	599	-27%
General obligation bond payable less current portion	<u>585,587</u>	<u>599,876</u>	-2%
Total non-current liabilities	<u>589,943</u>	<u>603,571</u>	-2%
TOTAL LIABILITIES	<u>651,004</u>	<u>650,736</u>	0.04%
NET POSITION			
Invested in capital assets, net of related debt	14,615	5,316	175%
Restricted	22,416	64,815	-65%
Unrestricted	<u>78,709</u>	<u>42,936</u>	83%
TOTAL NET POSITION	<u>\$ 115,740</u>	<u>\$ 113,067</u>	2%

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2014

Statement of Net Position

- Cash and cash equivalents consists mainly of cash held in the county treasury (\$202 million) and ancillary funds maintained at local banks. Cash decreased significantly from the prior year due primarily to establishing the GO Bond Endowment and a higher balance in accounts receivable. At June 30, 2014, the building fund had a cash balance of approximately \$148 million.
- The item for the Other Post Employment Benefits (OPEB) asset is the value of the funding for future retiree benefits beyond the amount required by GASB Statement No. 45. The District has a funding plan to mitigate the unfunded actuarial accrued liability in the next 15-20 years.
- The total assets showed an increase of 1%. The total liabilities showed an increase of less than 1%. This is due to the current portion of the GO Bond payable. Capital appreciation bonds also increased due to accreted interest of approximately \$12 million which was added to long-term debt during the year.
- Net position showed an increase of 2% from the prior year. Total operating expenses decreased by \$3.5 million, or 6%., while total operating revenues increased by \$6 million.



COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2014

Statement of Revenues, Expenses and Changes in Net Position

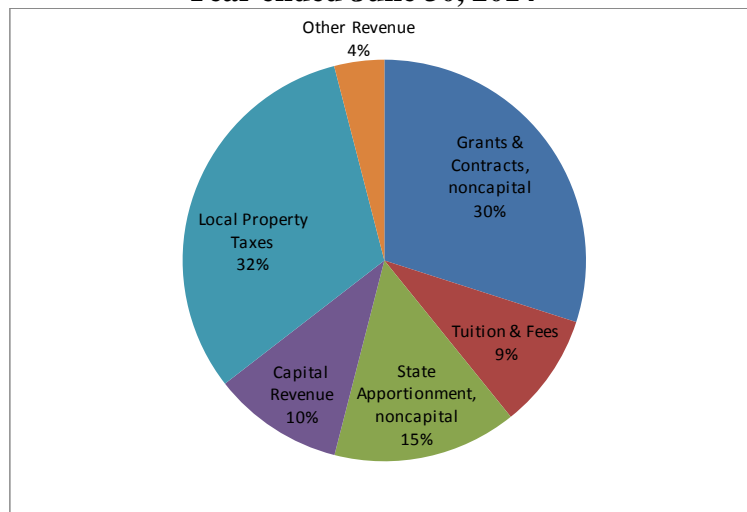
The Statement of Revenues, Expenses, and Changes in Net Position presents the operating results of the District, as well as the nonoperating revenues and expenses. State general apportionment, while budgeted for operations, is considered nonoperating revenues by generally accepted accounting principles.

	(in thousands)		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Operating Revenues			
Net tuition and fees	\$ 28,804	\$ 27,176	6%
Grants and contracts, non-capital	93,289	89,552	4%
Auxiliary sales and charges	<u>4,958</u>	<u>4,589</u>	8%
Total operating revenues	<u>127,051</u>	<u>121,317</u>	5%
Operating Expenses			
Salaries and benefits	179,517	176,097	2%
Supplies, materials and other operating expenses and services	24,557	37,045	-34%
Financial aid	54,218	52,366	4%
Utilities	4,418	4,186	6%
Depreciation	<u>21,013</u>	<u>17,552</u>	20%
Total operating expenses	<u>283,723</u>	<u>287,246</u>	-1%
Operating loss	<u>(156,672)</u>	<u>(165,929)</u>	-6%
Non-operating revenues (expenses)			
State apportionments, non-capital	45,991	38,279	20%
Local property taxes	98,141	110,125	-11%
State taxes and other revenues	7,324	7,108	3%
Investment income, non-capital	172	343	-50%
Interest expense	(20,331)	(22,435)	-9%
Other non-operating revenue		470	-100%
Gain (loss) on disposal of capital assets	<u>(4,676)</u>	<u>500</u>	-1035%
Total non-operating revenues (expenses)	<u>126,621</u>	<u>134,390</u>	-6%
Other revenues, expenses, gains or losses			
State apportionments, capital	411	2,346	-82%
Local property taxes and revenues, capital	31,300	19,756	58%
Investment income, capital	<u>1,013</u>	-	N/A
Total other revenues, expenses, gains or losses	<u>32,724</u>	<u>22,102</u>	48%
Change in net assets	2,673	(9,437)	-128%
Net assets, beginning of year	<u>113,067</u>	<u>122,504</u>	-8%
Net assets, end of year	<u>\$ 115,740</u>	<u>\$ 113,067</u>	2%

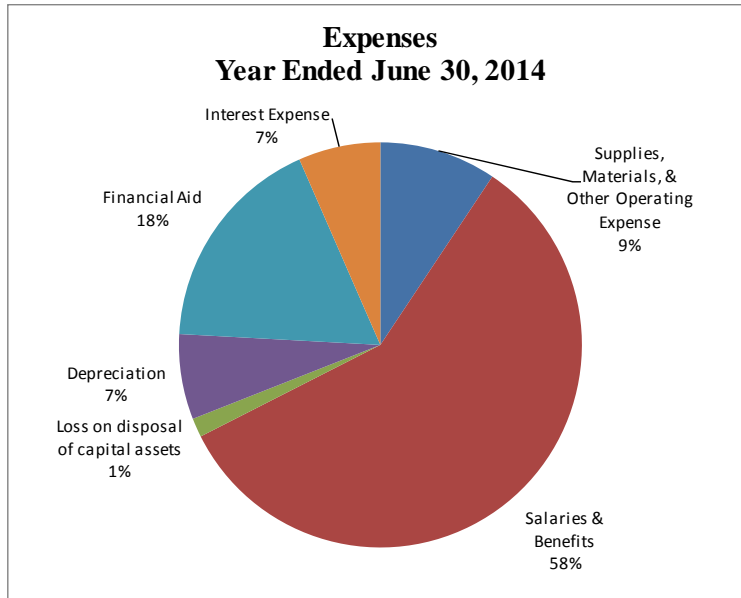
COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2014

- Net tuition and fees consists of enrollment fees (\$38.2 million), non-resident tuition (\$8.5 million), and other fees (\$5.8 million) less scholarships, discounts and allowances (\$23.7 million). Regular enrollment fees (\$46 per unit) are set by the State for all community colleges reflecting no change from the prior year.
- Revenue from grants and contracts is composed of federal grants (\$54 million), state grants (\$16 million), and local contracts (\$24 million). The decrease in federal funding is due mainly to the non-renewal of several Workforce Investment Act (WIA) grants.
- The district fully recovered from prior year stability funding and earned approximately 0.51% growth above the 32,449 FTES base from 2011-12 FY. Coast closed the 2013-14 FY at approximately 32,620 FTES.
- Depreciation expenses continue to increase as large construction projects are completed and buildings are equipped and placed into service.
- The District’s state general apportionments increased because of the decrease in local property taxes hence increasing the state general apportionment base on the SB 361 funding model. 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.

Revenues
Year ended June 30, 2014



COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2014



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>2014</u>	<u>2013</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (149,445)	\$ (146,709)	-2%
Noncapital financing activities	136,696	172,373	-21%
Capital and related financing activities	(16,767)	196,211	-109%
Investing activities	<u>(9,710)</u>	<u>843</u>	-1252%
Net change in cash and cash equivalents	(39,226)	222,718	-118%
Cash balance, beginning of year	299,057	76,339	292%
Cash balance, end of year	<u><u>\$ 259,831</u></u>	<u><u>\$ 299,057</u></u>	-13%

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2014

- The primary cash receipts from operating activities consist of grants and contracts and tuition and fees, while the outlays include payment of wages, benefits, supplies, services, contracts, scholarships and financial aid.
- General apportionment is the main source of noncapital financing activities and consists of state apportionment, local property taxes, and student fees.
- Cash provided and used for capital and related financing activities reflects primarily the proceeds of Measure M bonds, as well as local capital outlay resources.
- Cash from investing activities is interest and gains on investments. The decrease in interest revenue is due to low interest rates and market losses.
- The overall cash balance has decreased from prior year as the first series of Measure M resources are being spent down, although bond proceeds are not used for general operating purposes.

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, 2014, the District had over \$417 million invested in net capital assets. Total capital assets of \$671 million consist of land, buildings and building improvements, vehicles, data processing equipment and other office equipment; these assets have accumulated depreciation of \$255 million. New additions for construction and equipment included the net increase of \$9,324,981 as the result of changing the method used to calculate capitalized interest. Depreciation expense of \$21 million was also recorded for the fiscal year. In addition, \$2 million of construction in progress was completed and placed into service as buildings and site improvements. Note 6 to the financial statements provides additional information on capital assets. A summary of capital assets net of depreciation is presented on the next page.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2014

	Balance <u>June 30, 2014</u>
Land	\$ 24,141,969
Buildings and site improvements	581,031,560
Equipment	37,352,225
Construction in progress	<u>29,429,845</u>
Totals at historical cost	<u>671,955,599</u>
Less accumulated depreciation for:	
Buildings and site improvements	(222,689,521)
Equipment	<u>(31,977,226)</u>
Total accumulated depreciation	<u>(254,666,747)</u>
Governmental capital assets, net	<u>\$ 417,288,852</u>

Debt

At June 30, 2014, the District had \$608 million in debt for the General Obligation bonds. The payments for general obligation bond debt are funded through property tax assessments. Notes 8 and 9 to the financial statements provide additional information on long-term liabilities.

Economic Factors That May Affect the Future

State Economy

The Governor's January Budget Proposal, released on January 10, 2014, reflected a 0.86% COLA and 3.0% in Growth/Access/Restoration funding. There was also mention of a revised Growth allocation formula. Other major elements of this proposal included \$592 million to eliminate deferrals, \$200 million for Student Success, \$175 million for Deferred Maintenance and Instructional Equipment. This proposal also acknowledged a funding shortfall of nearly \$80 billion in the State Teachers Retirement System (STRS).

The May Revision, released on May 13, 2014, modified several of the elements reflected in the Governor's January Budget Proposal. The COLA is now reflected at 0.85%, and funds for Growth/Access/Restoration have been scaled back to 2.75%. All intra-year deferrals have been eliminated. Inter-year deferrals, however, remain at \$94 million system-wide. The revised growth formula, discussed in January, is delayed until the 2015-16 FY. The Governor also proposed to develop a Rainy Day Fund and a Proposition 98 Reserve.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2014

The 2014-15 Fiscal Year (FY) State Budget Bill, SB 852, was signed into law by the Governor on June 20, 2014. It reflected the fourth consecutive year a budget was passed on time and largely along partisan lines. Total State general fund spending is \$108 billion with no threat of trigger cuts. The Governor has taken a conservative approach to budgeting and has employed specific steps to protect against boom and bust cycles and eliminate debt.

The 2014/15 FY CCCD Budget

- Estimated State Revenue has been adjusted to reflect 0.85% COLA (\$1,377,217) and a \$120 per FTES Unrestricted Lottery Revenue. Growth/Access funding is identified at 2.75% but Coast does not budget these funds until the following year in which they are earned.
- Statewide Categorical program funding for the 2014-15 FY stands at nearly \$778 million, providing a significant increase in programmatic funding. The District is anticipating an increase of more than \$6 million bringing total categorical funding for Coast to nearly \$15 million.
- In recent years Coast CCD has maintained a reserve for contingency ranging between 5.5% to 7.0%. For the 2014-15 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 \$14.3 million, or 8% of the prior year unrestricted general fund expense.
- Salaries and benefits continue to comprise the largest portion of the District's expenses. In 2013-14, 89% of the unrestricted funds were spent on salaries and benefits.
- Volatility continues in our Health and welfare benefit programs. Stemming from several catastrophic claims, the budget for benefits in the 2014-15 FY has increased to \$16,200 Per Employee Per Year (PEPY) as compared with prior year figure of \$14,400 PEPY.
- Coast 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. As the state has significantly reduced funding deferrals, \$5 million was transferred to the irrevocable trust during the 2013-14 FY.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2014

Significant Future Events

While the economic outlook is positive, Coast's financial position could be impacted by one or more of several major budgetary issues. The Sales and Use Tax (SUT) increase under Proposition 30 sunsets in 2016. This represents approximately 21% of Proposition 30 revenues. The Personal Income Tax (PIT) sunsets in 2019. In January, Governor Jerry Brown estimated Proposition 30 would bring in \$7.3 billion; that figure increased at the May Revision, with \$1.4 billion being attributed to the sales tax increase and \$6 billion attributed to personal income taxes under Proposition 30. About 45% of those funds go to Proposition 98, which will be a significant loss when Proposition 30 expires. Looking more granularly at the community college system, estimates suggest that beginning in the 2016-17 FY a loss of \$27/FTES could be experienced growing to nearly \$290/FTES in the 2019-20 FY.

A new model under which growth funds are allocated by the state to local community college districts is anticipated to be implemented in the 2015-16 FY. At the time of this writing, details of the model were not available.

Consistent with the Governors commitment to taking down state debt, contributions to the California State Teachers Retirement System (STRS) plan will change for employees and employers. The 30 year STRS obligation of \$74.4 billion is only 67% funded. For employees, whether pre- or post-PEPRA (the Public Employees' Pension Reform Act of 2013), the contribution rate for 2014-15 will be increased by 0.15%. Rates will diverge in 2015-16, when pre-PEPRA employees will see a bigger increase. In reaction to the Governor's original proposal, CalSTRS noted that its system is not yet ready to accommodate different employee contribution rates, but would be for 2015-16. Employer rates have increased from the 2013-14 FY rate of 8.25% to 8.88% in the 2014-15 FY. The employer rate will increase to 19.1% of payroll in 2021. The state component will increase from 3% to 6.3% in the 2016-17 FY. Likewise, the employer contribution for employees in the California Public Employee Retirement System (PERS) will increase over time. The rate reflected in the 2014-15 FY Adopted Budget is 11.771% of payroll and is expected to increase to 19.1% of payroll by 2021.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2014

Uncertainty in the state budget process continues and districts remain exposed to shortfalls in property taxes and student fees. The 2013-14 FY closed with a 1.07% deficit factor, meaning that Coast did not receive \$1.7 million of its approximate \$160 million total computational revenue.

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, 2014

	<u>Primary Government</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 56,083,097	\$ 7,529,098
Investments	9,992,271	22,577,898
Accounts receivable, net	27,871,759	282,582
Deferred tax asset		1,000
Pledges receivable, net		539,238
Beneficial interest in charitable gift annuity		38,638
Prepaid expenses		34,972
Other current assets		65,000
Inventories	59,670	
Notes receivable - current portion	500,000	
Prepaid expenses and other current assets	3,417,161	-
Total Current Assets	<u>97,923,958</u>	<u>31,068,426</u>
Non-Current Assets:		
Restricted cash and cash equivalents	203,747,931	
Restricted student loans receivable, net	2,599,274	
Notes receivable	14,625,000	
Other postemployment benefit asset	14,913,485	
Capital assets, net of accumulated depreciation	417,288,852	3,826,344
Total Non-Current Assets	<u>653,174,542</u>	<u>3,826,344</u>
Total Assets	<u>751,098,500</u>	<u>34,894,770</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred charge on refunding	<u>15,645,934</u>	
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$ 766,744,434</u>	<u>\$ 34,894,770</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 18,556,243	\$ 1,253,684
Accrued liabilities	10,426,817	51,710
Unearned revenue	6,142,001	373,750
Compensated absences - current portion	741,457	
Estimated liability for open claims and IBNR's	3,004,279	
Capital leases - current portion	161,378	
General obligation bonds payable - current portion	22,030,000	
Other long-term debt - current portion		110,000
Total Current Liabilities	<u>61,062,175</u>	<u>1,789,144</u>
Non-Current Liabilities:		
Capital leases	437,214	
Compensated absences	3,918,094	
General obligation bonds payable	585,586,521	
Total Non-Current Liabilities	<u>589,941,829</u>	<u>-</u>
Total Liabilities	<u>651,004,004</u>	<u>1,789,144</u>
NET POSITION		
Invested in capital assets, net of related debt	14,615,180	
Permanently restricted		6,078,689
Temporarily restricted		23,093,108
Restricted for:		
Capital projects	10,228,151	
Debt service	8,171,392	
Scholarships and loans	4,016,885	
Unrestricted	78,708,822	3,091,635
Common stock		158
Retained earnings		842,036
Total Net Position	<u>115,740,430</u>	<u>33,105,626</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 766,744,434</u>	<u>\$ 34,894,770</u>

See the accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2014**

	Primary Government	Component Units
OPERATING REVENUES		
Tuition and fees (gross)	\$ 52,518,081	\$
Less: Scholarship discounts and allowances	<u>(23,713,941)</u>	
Net tuition and fees	28,804,140	
Grants and contracts, non-capital:		
Federal	53,645,222	
State	15,821,773	
Local	23,822,606	17,298,491
Sales	<u>4,957,724</u>	
TOTAL OPERATING REVENUES	<u>127,051,465</u>	<u>17,298,491</u>
OPERATING EXPENSES		
Salaries	130,647,542	1,444,094
Employee benefits	48,869,730	345,230
Supplies, materials, and other operating expenses and services	24,556,811	10,006,388
Financial aid	54,218,291	
Utilities	4,417,775	
Depreciation	<u>21,012,718</u>	<u>469,205</u>
TOTAL OPERATING EXPENSES	<u>283,722,867</u>	<u>12,264,917</u>
OPERATING INCOME (LOSS)	<u>(156,671,402)</u>	<u>5,033,574</u>
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, non-capital	45,990,696	
Local property taxes	98,140,709	
State taxes and other revenue	7,324,381	
Interest and investment income, non-capital	172,552	
Loss on disposal of capital assets	(4,676,110)	
Interest expense	<u>(20,331,606)</u>	<u>(6,562)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>126,620,622</u>	<u>(6,562)</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	<u>(30,050,780)</u>	<u>5,027,012</u>
OTHER REVENUES, EXPENSES, GAINS AND LOSSES		
State apportionments, capital	410,731	
Local property taxes and revenues, capital	31,300,543	
Interest and investment income, capital	<u>1,013,174</u>	
TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES	<u>32,724,448</u>	<u>-</u>
INCREASE IN NET POSITION	2,673,668	5,027,012
NET POSITION, BEGINNING OF YEAR	<u>113,066,762</u>	<u>28,078,614</u>
NET POSITION, END OF YEAR	<u>\$ 115,740,430</u>	<u>\$ 33,105,626</u>

See the accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2014**

	Primary Government	Component Units
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 23,979,293	\$
Federal grants and contracts	53,137,878	
State grants and contracts	18,995,723	
Local grants and contracts	20,444,136	
Sales	3,684,651	
Auxiliary enterprise sales and charges		10,384,174
Administrative fees and interest		305,242
Donations		3,765,853
Payments to suppliers	(38,132,265)	(7,241,809)
Payments to/on-behalf of employees	(177,313,136)	
Payments to/on-behalf of students	(54,241,181)	
Payments to/on-behalf of students for scholarships		(1,148,863)
	<u>(149,444,901)</u>	<u>6,064,597</u>
Net cash provided (used) by operating activities		
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	31,895,619	
Property taxes	98,140,709	
State tax and other revenues	<u>6,659,767</u>	
Net cash provided by non-capital financing activities	<u>136,696,095</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest on capital investments	600,868	
State apportionment for capital purposes	461,689	
Local revenue, grants and gifts for capital purposes	35,861,781	
Purchases of capital assets	(28,218,391)	(731,938)
Principal paid on capital debt	(13,300,000)	
Interest paid on capital debt	<u>(12,173,633)</u>	
Net cash used by capital and related financing activities	<u>(16,767,686)</u>	<u>(731,938)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	300,273	
Transfers		(377,090)
Purchase of investments	<u>(10,009,833)</u>	<u>(3,073,482)</u>
Net cash used by investing activities	<u>(9,709,560)</u>	<u>(3,450,572)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(39,226,052)	1,882,087
CASH BALANCE - Beginning of Year	<u>299,057,080</u>	<u>5,647,011</u>
CASH BALANCE - End of Year	<u>\$ 259,831,028</u>	<u>\$ 7,529,098</u>

See the accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2014**

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

	<u>Primary Government</u>	<u>Component Units</u>
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (156,671,402)	\$ 5,033,574
Net non-cash contributions		(713,138)
Realized and unrealized gains on investments, net		(717,552)
Loss on sale of donated items		789,270
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	21,012,718	573,952
Change in estimate - capitalized interest	(10,723,490)	
Changes in assets and liabilities:		
Receivables, net	766,339	(16,106)
Inventory	68,542	
Prepaid expense	(1,996,748)	
Note receivable	500,000	
Student loans receivable	68,300	
Other assets		113,842
Accounts payable and accrued liabilities	1,680,115	990,975
Unearned revenue	(44,016)	9,780
Compensated absences	821,862	
Amounts held in trust for others		
Estimated liability for open claims and IBNR's	312,721	
Other post employment benefits	<u>(5,239,842)</u>	<u> </u>
Net cash provided (used) by operating activities	<u>\$ (149,444,901)</u>	<u>\$ 6,064,597</u>

See the accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2014

	Ancillary Funds	Associated Student Body Funds
ASSETS		
Cash and cash equivalents	\$ 2,503,208	\$ 11,035,540
Accounts receivable:		
Miscellaneous	114,102	932,406
Other current assets	19,670	105,000
TOTAL ASSETS	\$ 2,636,980	\$ 12,072,946
LIABILITIES		
Accounts payable	\$ 483,260	\$ 298,909
Funds held in trust	2,153,720	4,002,685
Total liabilities	2,636,980	4,301,594
NET POSITION		
Unrestricted	-	7,771,352
Total net position	-	7,771,352
TOTAL LIABILITIES AND NET POSITION	\$ 2,636,980	\$ 12,072,946

See the accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2014**

	Associated Student Body Funds
ADDITIONS	
Sales, net of purchases	\$ 1,349,592
Interest and investment income	4,667
Student representation fee	1,636,965
Other local revenues	418,583
TOTAL ADDITIONS	3,409,807
DEDUCTIONS	
Classified salaries	578,857
Employee benefits	216,524
Supplies and materials	19,105
Services and other operating expenses	2,055,334
Capital outlay	25,850
TOTAL DEDUCTIONS	2,895,670
Change in net position	514,137
NET POSITION - BEGINNING OF YEAR	7,257,215
NET POSITION - END OF YEAR	\$ 7,771,352

See the accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

RETIREE HEALTH BENEFIT OPEB TRUST

STATEMENT OF PLAN NET POSITION

June 30, 2014

ASSETS

Investments - Master Trusts

\$ 57,887,369

TOTAL ASSETS

\$ 57,887,369

NET POSITION - RESTRICTED FOR POSTEMPLOYMENT

HEALTH BENEFITS

\$ 57,887,369

See the accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT
RETIREE HEALTH BENEFIT OPEB TRUST
STATEMENT OF CHANGES IN PLAN NET POSITION
For the Fiscal Year Ended June 30, 2014

ADDITIONS	
Employer contributions	\$ 5,000,000
Dividends and interest	1,180,421
Net gain on fair value of investments	<u>4,415,315</u>
TOTAL ADDITIONS	<u><u>10,595,736</u></u>
DEDUCTIONS	
Trust fees	<u>500</u>
TOTAL DEDUCTIONS	<u><u>500</u></u>
Net changes in net position	10,595,236
NET POSITION - RESTRICTED FOR POSTEMPLOYMENT HEALTH BENEFITS, BEGINNING OF YEAR	<u>47,292,133</u>
NET POSITION - RESTRICTED FOR POSTEMPLOYMENT HEALTH BENEFITS, END OF YEAR	<u><u>\$ 57,887,369</u></u>

See the accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY

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

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

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

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

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

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

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

A. REPORTING ENTITY (continued)

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

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

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

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

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

B. FINANCIAL STATEMENT PRESENTATION

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

C. BASIS OF ACCOUNTING

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

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

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

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING (continued)

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

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

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

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

1. Cash and Cash Equivalents

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

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING (continued)

2. Accounts Receivable

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

3. Investments

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

4. Inventories

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

5. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2014, 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.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING (continued)

6. Restricted Cash and Cash Equivalents

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

7. Student Loans Receivable, Net

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

8. Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings 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 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.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING (continued)

8. Capital Assets (continued)

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

9. Deferred Outflow of Resources

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

10. Accounts Payable and Accrued Liabilities

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

11. Unearned Revenue

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

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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

12. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability in the statement of net position when incurred. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirement.

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

13. Net Position

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

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

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING (continued)

13. Net Position (continued)

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.

14. 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 2015 will be recorded in the year computed by the State.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING (continued)

15. Property Taxes

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

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

16. On-Behalf Payments

GASB requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all Community Colleges in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at \$3,300,000 for STRS.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING (continued)

17. 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 the Governmental Accounting Standards Board.

18. 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.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING (continued)

19. Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS:

A. Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2014, \$24,755,993 of the District's bank balance of \$25,255,993 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	<u>\$24,755,993</u>
---	---------------------

Cash in County

In accordance with *The Budget and Accounting Manual*, the District maintains substantially all of its cash in the Orange County Treasury as part of the common investment pool. These pooled funds are carried at amortized cost which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2014, as provided by the County Treasurer, was \$241,964,405, as is based upon the District's pro-rata share of the fair value for the entire portfolio (in relation to the amortized cost of the portfolio).

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

A. Deposits (continued)

Cash in County (continued)

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

B. Investments

Policies

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

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

The District did not violate any provisions of the California Government Code or District Board policy during the year ended June 30, 2014.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

B. Investments (continued)

Investments at June 30, 2014 are presented below:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Standard & Poor's Rating</u>
U.S. Treasury Bond	11/15/2020	\$907,109	AA+
	11/15/2020	875,029	AA+
Corporate Note	07/12/2016	507,183	AA+
	07/22/2016	513,111	AA-
	08/15/2016	515,917	AA
Money Market Funds		<u>6,673,922</u>	AAAm
Total		<u>\$9,992,271</u>	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the District's investments to this risk is provided above.

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.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

C. Investments – OPEB Trust

Investments held by the Retiree Health Benefit Funding Program Joint Powers Agency (the JPA) in the Retiree Health Benefit OPEB Trust (the Trust), are limited to those within the terms of the trust agreement and the participation agreement, any applicable plan documents and in accordance with California Code Section 53620 through 53622. The JPA did not violate any provisions of the investment policy during the fiscal year ended June 30, 2014.

Investments held by the JPA at June 30, 2014 are presented below:

<u>Investment</u>	<u>Fair Value</u>
Master Trusts	\$57,887,369

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, 2014, the JPA's investments in master trusts are unrated.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

C. Investments – OPEB Trust

Concentration of Credit Risk

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

NOTE 3 - ACCOUNTS RECEIVABLE:

The accounts receivable balance as of June 30, 2014 consists of the following:

Federal and State	\$ 21,921,739
Tuition and Fees	3,057,970
Miscellaneous	<u>2,892,050</u>
	<u>\$ 27,871,759</u>

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 is receiving quarterly payments of \$125,000. The balance of the notes receivable as of June 30, 2014 is \$15,125,000.

NOTE 5 - INTERFUND TRANSACTIONS:

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

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 6 - CAPITAL ASSETS:

The following provides a summary of changes in capital assets for the year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Additions*</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>
Capital assets not depreciated:				
Land	\$ 24,141,969	\$	\$	\$ 24,141,969
Work in progress	4,114,917	27,306,660	(1,991,732)	29,429,845
Total capital assets not depreciated	<u>28,256,886</u>	<u>27,306,660</u>	<u>(1,991,732)</u>	<u>53,571,814</u>
Capital assets depreciated:				
Buildings and improvements	573,723,983	11,983,687	(4,676,110)	581,031,560
Equipment	35,476,801	2,072,598	(197,174)	37,352,225
Total of capital assets depreciated	<u>609,200,784</u>	<u>14,056,285</u>	<u>(4,873,284)</u>	<u>618,383,785</u>
Less accumulated depreciation for:				
Buildings and improvements	(203,558,807)	(19,130,714)		(222,689,521)
Equipment	(30,292,396)	(1,882,004)	197,174	(31,977,226)
Total accumulated depreciation	<u>(233,851,203)</u>	<u>(21,012,718)</u>	<u>197,174</u>	<u>(254,666,747)</u>
Governmental activities capital assets,	<u>\$ 403,606,467</u>	<u>\$ 20,350,227</u>	<u>\$ (6,667,842)</u>	<u>\$ 417,288,852</u>

* Current year additions include the change in estimate for capitalized interest as discussed in Note 15.

Interest costs for the year ended June 30, 2014 was \$20,760,938 of which \$429,332 was capitalized. Interest earned on proceeds of the District's tax exempt debt used to offset capitalized interest was \$854,989.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 7 - LEASES:

A. Capital Leases

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

Year Ended June 30	Principal	Interest	Total
2015	\$ 161,378	\$ 25,812	\$ 187,190
2016	168,919	18,271	187,190
2017	176,814	10,376	187,190
2018	91,482	2,113	93,595
Total	<u>\$ 598,593</u>	<u>\$ 56,572</u>	<u>\$ 655,165</u>

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

B. Operating Leases

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

Year Ending June 30,	Lease Payment
2015	\$ 243,863
2016	221,494
2017	199,335
2018	162,429
2019	54,808
2020	4,952
Total	<u>\$ 886,881</u>

Current year expenditures for operating leases are approximately \$240,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 – GENERAL OBLIGATION BONDS:

A. Measure C Series

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

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

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series A bonds included a premium of \$1,293,840. This amount is amortized using the straight-line method. Amortization of \$85,780 was recognized during the 2013-14 year.

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

Capital appreciation bonds were issued as part of the Refunding Bonds issuance with maturity dates from August 1, 2020 through 2022. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. At June 30, 2014, \$5,069,590 in accreted interest has been accrued and included in long-term debt.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 – GENERAL OBLIGATION BONDS: (continued)

A. Measure C Series (continued)

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

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series 2006C bonds included a premium of \$1,444,299. This amount is amortized using the straight-line method. Amortization of \$49,477 was recognized during 2013-14.

Capital appreciation bonds were issued as part of the Series 2006B issuance with maturity dates from August 1, 2025 through 2030 and Series 2006C issuance with maturity dates from August 1, 2029 through 2036. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. At June 30, 2014, \$73,673,082 in accreted interest has been accrued and included in long-term debt.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 – GENERAL OBLIGATION BONDS: (continued)

A. Measure C Series (continued)

Payments- Measure C Series

Series 2003A

The annual requirements to amortize Series 2003A bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 605,000	\$ 76,625	\$ 681,625
2016	635,000	45,625	680,625
2017	<u>595,000</u>	<u>14,875</u>	<u>609,875</u>
	<u>\$ 1,835,000</u>	<u>\$ 137,125</u>	<u>\$ 1,972,125</u>

The 2005 Refunding Bonds

The annual requirements to amortize the 2005 Refunding Bonds bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Current Interest Component</u>	<u>Total</u>
2015	\$ 5,600,000	\$	\$ 455,700	\$ 6,055,700
2016	5,880,000		154,350	6,034,350
2017				-
2018				-
2019				-
2020-2023	<u>2,618,867</u>	<u>15,471,132</u>	<u></u>	<u>18,089,999</u>
	<u>\$ 14,098,867</u>	<u>\$ 15,471,132</u>	<u>\$ 610,050</u>	<u>\$ 30,180,049</u>

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 – GENERAL OBLIGATION BONDS: (continued)

A. Measure C Series (continued)

Payments- Measure C Series (continued)

Series 2006B

The annual requirements to amortize Series 2006B bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Current Interest Component</u>	<u>Total</u>
2015	\$ 785,000	\$	\$ 221,153	\$ 1,006,153
2016	1,660,000		165,538	1,825,538
2017	2,655,000		63,056	2,718,056
2018				-
2019				-
2020-2024				-
2025-2029	38,790,977	69,299,023		108,090,000
2030-2031	10,068,854	23,551,146		33,620,000
	<u>\$ 53,959,831</u>	<u>\$ 92,850,169</u>	<u>\$ 449,747</u>	<u>\$ 147,259,747</u>

Series 2006C

The annual requirements to amortize Series 2006C bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Current Interest Component</u>	<u>Total</u>
2015	\$	\$	\$ 5,661,000	\$ 5,661,000
2016			5,661,000	5,661,000
2017			5,661,000	5,661,000
2018			5,661,000	5,661,000
2019			5,661,000	5,661,000
2020-2024			28,305,000	28,305,000
2025-2029			28,305,000	28,305,000
2030-2034	87,808,723	59,011,277	13,904,500	160,724,500
2035-2037	22,331,446	83,478,554		105,810,000
	<u>\$ 110,140,169</u>	<u>\$ 142,489,831</u>	<u>\$ 98,819,500</u>	<u>\$ 351,449,500</u>

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 – GENERAL OBLIGATION BONDS: (continued)

B. Measure M Series

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

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

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

The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$5,359,201. Amortization of \$210,552 was recognized during the fiscal year 2013-14.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series 2013A included a premium of \$17,250,729. This amount is amortized using the straight-line method. Amortization of \$677,760 was recognized during the 2013-14.

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

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 – GENERAL OBLIGATION BONDS: (continued)

B. Measure M Series (continued)

The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$11,635,262. Amortization of \$1,034,244 was recognized during the fiscal year 2013-14.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Tax-Exempt Refunding Series A included a premium of \$18,531,685. This amount is amortized using the straight-line method. Amortization of \$1,647,261 was recognized during the 2013-14.

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

Payments- Measure M Series

Series 2013A

The annual requirements to amortize Series 2013A bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Current Interest Component</u>	<u>Total</u>
2015	\$ 12,020,000	\$ 7,464,700	\$ 19,484,700
2016	14,415,000	7,143,175	21,558,175
2017	9,085,000	6,865,675	15,950,675
2018	1,185,000	6,711,625	7,896,625
2019	825,000	6,681,475	7,506,475
2020-2024	13,815,000	32,135,200	45,950,200
2025-2029	26,525,000	27,762,000	54,287,000
2030-2034	44,305,000	20,041,800	64,346,800
2035-2039	67,825,000	8,155,200	75,980,200
	<u>\$ 190,000,000</u>	<u>\$ 122,960,850</u>	<u>\$ 312,960,850</u>

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 – GENERAL OBLIGATION BONDS: (continued)

B. Measure M Series (continued)

Payments- Measure M Series (continued)

Series 2013B

The annual requirements to amortize Series 2013B bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Current Interest Component</u>	<u>Total</u>
2015	\$ 1,960,000	\$ 93,358	\$ 2,053,358
2016	1,985,000	83,102	2,068,102
2017	2,000,000	68,816	2,068,816
2018	2,015,000	46,896	2,061,896
2019	2,040,000	16,708	2,056,708
	<u>\$ 10,000,000</u>	<u>\$ 308,880</u>	<u>\$ 10,308,880</u>

Tax-Exempt Refunding Series A

The annual requirements to amortize Tax-Exempt Refunding Series A bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Current Interest Component</u>	<u>Total</u>
2015	\$ 80,000	\$ 3,849,950	\$ 3,929,950
2016	80,000	3,847,950	3,927,950
2017	85,000	3,845,475	3,930,475
2018	4,090,000	3,762,400	7,852,400
2019	5,115,000	3,578,300	8,693,300
2020-2024	51,955,000	12,315,875	64,270,875
2025-2029	17,565,000	439,125	18,004,125
	<u>\$ 78,970,000</u>	<u>\$ 31,639,075</u>	<u>\$ 110,609,075</u>

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 8 – GENERAL OBLIGATION BONDS: (continued)

B. Measure M Series (continued)

Payments- Measure M Series (continued)

Taxable Refunding Series B

The annual requirements to amortize Taxable Refunding Series B bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Current Interest Component</u>	<u>Total</u>
2015	\$ 980,000	\$ 524,722	\$ 1,504,722
2016	985,000	519,616	1,504,616
2017	6,880,000	487,681	7,367,681
2018	6,925,000	412,320	7,337,320
2019	7,030,000	308,416	7,338,416
2020-2024	12,015,000	235,887	12,250,887
	<u>\$ 34,815,000</u>	<u>\$ 2,488,642</u>	<u>\$ 37,303,642</u>

C. Outstanding Bonded Debt

The outstanding bonded debt for Coast Community College District at June 30, 2014 is:

	<u>Issue Date</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2013</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2014</u>
Measure C								
Series A	4/17/2003	2.50 - 5.50	8/1/2016	\$ 110,000,000	\$ 5,340,000	\$	\$ 3,505,000	\$ 1,835,000
2005 Refunding	3/10/2005	3.00 - 5.25	8/1/2022	74,893,867	19,053,867		4,955,000	14,098,867
Accreted Interest					4,223,833	845,757		5,069,590
2006B	6/28/2006	3.63 - 5.00	8/1/2030	149,859,831	56,844,831		2,885,000	53,959,831
Accreted Interest					20,255,565	3,598,167		23,853,732
2006C	6/28/2006	3.63 - 5.00	8/1/2036	110,140,169	110,140,169			110,140,169
Accreted Interest					46,522,343	3,297,007		49,819,350
Measure M								
2013A	5/29/2013	1.50 - 5.00	8/1/2038	190,000,000	190,000,000			190,000,000
2013B	5/29/2013	0.45 - 1.64	8/1/2018	10,000,000	10,000,000			10,000,000
Refunding Series A	5/29/2013	2.00 - 5.00	8/1/2024	80,265,000	80,265,000		1,295,000	78,970,000
Refunding Series B	5/29/2013	0.35 - 2.27	8/1/2020	35,475,000	35,475,000		660,000	34,815,000
				<u>\$ 760,633,867</u>	<u>\$ 578,120,608</u>	<u>\$ 7,740,931</u>	<u>\$ 13,300,000</u>	<u>572,561,539</u>
							Unamortized bond premium	35,054,982
							Total	<u>\$ 607,616,521</u>

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 9 - LONG-TERM DEBT:

A schedule of changes in long-term debt for the year ended June 30, 2014 is shown below:

	Balance 7/1/2013	Additions	Deductions	Balance 6/30/2014	Amount Due in One Year
Compensated absences	\$ 3,837,689	\$ 821,862	\$	\$ 4,659,551	\$ 741,457
Capital leases	752,766		154,173	598,593	161,378
General Obligation Bonds:					
Bonds payable	507,118,867		13,300,000	493,818,867	22,030,000
Bond premium	37,515,260		2,460,278	35,054,982	
Accreted interest	71,001,741	7,740,931		78,742,672	
Totals	<u>\$ 620,226,323</u>	<u>\$ 8,562,793</u>	<u>\$ 15,914,451</u>	<u>\$ 612,874,665</u>	<u>\$ 22,932,835</u>

Liabilities are liquidated by the General Fund for governmental activities, including compensated absences and capital leases. 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 10 - EMPLOYEE RETIREMENT PLANS:

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS) and part-time, seasonal and temporary employees and employees not covered by STRS or PERS are members of the Public Agency Retirement System (PARS).

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)

State Teachers' Retirement System (STRS) (continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Public Employees' Retirement System (PERS)

Plan Description

The District contributes to the School Employer Pool 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. CalPERS issues a separate comprehensive annual financial report that includes required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2013-14 was 11.442% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)

Contributions to STRS and PERS

The District's contributions to STRS and PERS for each of the last three fiscal years are as follows:

Year Ended <u>June 30,</u>	<u>STRS</u>		<u>PERS</u>	
	<u>Required Contribution</u>	<u>Percent Contributed</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2012	\$5,028,307	100%	\$6,067,585	100%
2013	4,863,635	100%	6,257,505	100%
2014	5,123,308	100%	6,108,560	100%

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 \$763,744 during the fiscal year. The total amount of covered compensation was \$10,186,373. Total contributions made are 100% of the amount of contributions required for fiscal year 2013-14.

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 11 – POSTEMPLOYMENT HEALTHCARE BENEFITS:

Plan Description

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

Eligibility

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

Retirees and beneficiaries receiving benefits	784
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>1,196</u>
Total	<u>1,980</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, 2014, the District contributed \$11,683,610 to the plan.

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 11 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

Annual required contribution (ARC)	\$	6,409,590
Interest on net OPEB obligation		(657,808)
Adjustment to annual required contribution		691,986
Annual OPEB cost (expense)		6,443,768
 Contributions made		 (11,683,610)
 Change in net OPEB obligation		 (5,239,842)
 Net OPEB Asset - Beginning of Year		 (9,673,643)
Net OPEB Asset - End of Year	\$	(14,913,485)

The District’s annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB asset for fiscal year ended June 30, 2014 was as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
6/30/2012	\$ 8,179,208	89.5%	\$ 10,532,396
6/30/2013	8,175,071	89.5%	9,673,643
6/30/2014	6,443,768	181.3%	14,913,485

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 11 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Funding Status and Funding Progress

As of June 1, 2014, the most recent actuarial valuation date, the actuarial value of plan assets was \$57,147,580 and the plan was 61.58% funded. The actuarial accrued liability for benefits was \$92,803,617 and the unfunded actuarial accrued liability (UAAL) was \$35,656,037. The covered payroll (annual payroll of active employees covered by the plan) was \$122,381,856, and the ratio of the UAAL to the covered payroll was 29.14%. The District has established an irrevocable trust administered by the Retiree Health Benefit Program Joint Powers Agreement (JPA) organized by the Community College League of California. The District made an irrevocable contribution of \$5,000,000 during the 2013-14 fiscal year. The required schedule of employer contributions presents trend information about the amounts contributed to the plan by employers in comparison to the annual required contribution (ARC).

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

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 11 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Actuarial Methods and Assumptions

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

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

NOTE 12 - JOINT POWERS AGREEMENT:

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

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 12 - JOINT POWERS AGREEMENT: (continued)

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

SAFER provides excess insurance coverage for liability losses from \$1,000,000 to \$50,000,000 and \$5,000,000 to \$250,000,000 for excess property coverage, dependent upon selected coverage sought by each member.

SEWUP is a consolidated, Owner-Controlled construction insurance program covering the job-site risks of: 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.

SWACC was established to provide a program of property and liability coverage for forty-five community colleges. 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 a comprehensive loss control program.

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

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

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

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 12 - JOINT POWERS AGREEMENT: (continued)

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

	PIPS 6/30/2013 (Audited)	SAFER 6/30/2013 (Audited)	SEWUP 6/30/2013 (Audited)	SWACC 6/30/2013 (Audited)
Total assets	\$ 93,631,244	\$ 11,250,266	\$ 18,602,373	\$ 52,337,870
Total liabilities	<u>77,229,529</u>	<u>8,977,165</u>	<u>14,743,154</u>	<u>21,094,905</u>
Retained earnings	<u>\$ 16,401,715</u>	<u>\$ 2,273,101</u>	<u>\$ 3,859,219</u>	<u>\$ 31,242,965</u>
Total revenues	\$ 213,438,410	\$ 44,177,376	\$ 9,040,966	\$ 10,371,815
Total expenditures	<u>220,030,304</u>	<u>42,786,064</u>	<u>10,076,433</u>	<u>6,737,443</u>
Net increase/(decrease) in retained earnings	<u>\$ (6,591,894)</u>	<u>\$ 1,391,312</u>	<u>\$ (1,035,467)</u>	<u>\$ 3,634,372</u>

NOTE 13 - INTERNAL SERVICE FUND:

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

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

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 13 - INTERNAL SERVICE FUND: (continued)

At June 30, 2014, the District accrued the claims liability in accordance with GASB standards, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The present value of the liability is estimated at \$3,004,279. Changes in the reported liability are shown below:

	<u>Beginning Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Fiscal Year Liability</u>
Workers' Compensation	\$ 532,383	\$ 198,853	\$ 88,946	\$ 642,290
Health and Other Benefits	<u>2,159,175</u>	<u>22,148,416</u>	<u>21,945,602</u>	<u>2,361,989</u>
	<u>\$ 2,691,558</u>	<u>\$22,347,269</u>	<u>\$ 22,034,548</u>	<u>\$3,004,279</u>

NOTE 14 - FUNCTIONAL EXPENSE:

	<u>Employee Salaries & Benefits</u>	<u>Supplies, Material, & Other Expenses & Services</u>	<u>Financial Aid</u>	<u>Depreciation</u>	<u>Total</u>
Instructional Activities	\$ 76,947,595	\$ 3,268,853	\$	\$	\$ 80,216,448
Academic Support	18,048,391	2,177,578			20,225,969
Student Services	22,321,276	1,842,654			24,163,930
Operation & Maintenance of Plant	7,957,677	4,304,970			12,262,647
Institutional Support Services	34,912,696	9,292,820			44,205,516
Community Services & Economic Development	430,837	87,978			518,815
Ancillary Services & Auxiliary Operations	17,799,815	5,761,909			23,561,724
Physical Property & Related Acquisitions	1,098,985	2,237,823			3,336,808
Student Aid, Transfers, & Other Outgo			54,218,291		54,218,291
Depreciation Expense				<u>21,012,718</u>	<u>21,012,718</u>
Total	<u>\$ 179,517,272</u>	<u>\$ 28,974,586</u>	<u>\$ 54,218,291</u>	<u>\$ 21,012,718</u>	<u>\$ 283,722,867</u>

NOTE 15 – CHANGE IN ACCOUNTING ESTIMATE:

Management reviewed and revised the method used to calculate capitalized interest. The resulting change increased capitalized interest by \$9,324,981, net of accumulated depreciation.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 16 - COMMITMENTS AND CONTINGENCIES:

A. Litigation

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

B. State and Federal Allowances, Awards and Grants

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

C. Purchase Commitments

As of June 30, 2014, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$27,800,000. Projects will be funded through bond proceeds, state funds and general funds.

**NOTE 17 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2014, 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.

Governmental Accounting Standards Board Statement No. 68

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This statement is designed to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions provided by other entities. This statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*. This statement is effective for fiscal year 2014-15 financial statements.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE 17 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE: (continued)**

Governmental Accounting Standards Board Statement No. 69

In January 2013, the GASB issued Statement No. 69 *Government Combinations and Disposals of Government Operations*. This statement provides guidance on the measurement of assets and liabilities in a government merger or when a government acquires another entity, or its operations, in exchange for significant consideration. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This statement is effective for fiscal year 2014-15 financial statements.

Governmental Accounting Standards Board Statement No. 71

In November 2013, the GASB issued Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. This statement addresses an issue regarding application of the transition provision of Statement No. 68. This statement is effective for fiscal year 2014-15 financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2014**

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

See the accompanying notes to the required supplementary information.

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2014

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2012	\$ 8,124,575	90.05%
2013	8,124,575	90.05%
2014	6,409,590	182.28%

See the accompanying notes to the required supplementary information.

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2014

NOTE 1 - PURPOSE OF SCHEDULES:

A. 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.

B. Schedule of Employer Contributions

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

SUPPLEMENTARY INFORMATION

COAST COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION

June 30, 2014

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

BOARD OF TRUSTEES

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

DISTRICT EXECUTIVE OFFICERS

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

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Program Expenditures</u>
<u>U.S. Department of Education:</u>			
Direct:			
Student Financial Aid Cluster:			
Federal Work Study	84.033	N/A	\$ 450,130
Federal Perkins Loan	84.038	N/A	283,855
Pell Grant	84.063	N/A	43,859,937
Financial Aid Administrative Allowance	84.063	N/A	112,634
Federal Supplemental Educational Opportunity Grant	84.007	N/A	846,699
Federal Direct Student Loans	84.268	N/A	<u>5,652,249</u>
Subtotal: Student Financial Aid Cluster			51,205,504
Pacific Bridge - Asian American and Pacific Islander Students	84.031L	N/A	448,712
Title III - Access 2 Success	84.031A	N/A	<u>68,311</u>
Subtotal: Direct Programs			<u>51,722,527</u>
Passed through from the California Community Colleges Chancellor's Office:			
Career and Technical Education (CTE):			
CTE Title I, Part C - Carl D. Perkins	84.048A	(1)	1,076,012
CTE Transitions	84.048A	(1)	99,341
CTE Data Accountability	84.048A	13-172-001	130,207
Passed through from the California Department of Education:			
English Literacy and Civic Education	84.002A	(1)	14,346
Adult Education and Family Literacy Act- ESL -231 Grant	84.002A	(1)	<u>65,229</u>
Subtotal: Passed Through Programs			<u>1,385,135</u>
Total: U.S. Department of Education			<u>53,107,662</u>
<u>U.S. Department of Agriculture</u>			
Passed through from the California Department of Education:			
Child Care Food Program	10.558	(1)	<u>65,247</u>
<u>U.S. Department of Health and Human Services:</u>			
Passed through from the California Community Colleges Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	124,577
Passed through from the California Department of Education:			
Child Care and Development Block Grant	93.575	15136	39,022
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	81,809
Passed through from the Yosemite Community College District:			
Child Development Training Consortium	93.575	(1)	<u>22,500</u>
Subtotal: Passed Through Programs			<u>267,908</u>
Total: U.S. Department of Health and Human Services			<u>267,908</u>
<u>National Science Foundation</u>			
Passed through from Collin County Community College District, State of Texas			
National Convergence Technology Center	47.076	DUE-1205077	<u>43,993</u>
<u>Department of Homeland Security</u>			
Direct:			
Bridge to Citizenship	97.010	N/A	<u>30,658</u>
<u>U.S. Department of Justice:</u>			
Direct			
Virtual Interactive Training Simulator Project	16.753	N/A	19,758
Virtual Training Capability for Law Enforcement Officers Program	16.738	N/A	<u>50,000</u>
Total: U.S. Department of Justice			<u>69,758</u>
<u>U.S. Department of Labor</u>			
Passed through County of Orange Housing and Community Services Department:			
Workforce Investment Act (WIA) Cluster:			
WIA - Disadvantaged Adult	17.258	R865476	17,301
WIA - ITA Training Provider	17.258	R865476	36,482
WIA - Dislocated Worker	17.260	R865476	<u>6,213</u>
Subtotal: WIA Cluster			<u>59,996</u>
Total Federal Program Expenditures			<u>\$ 53,645,222</u>

N/A - Pass-through entity identifying number is either applicable.
(1) - Pass-through entity identifying number is either not readily available.

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, 2014

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	\$ 163,292	\$	\$	\$ 142,230	\$ 21,062	\$ 21,062
At Risk Childrens Boating Scholarships	33,005	4,675			37,680	37,680
Basic Skills (S.F.A.A)	349,872	788,255		693,812	444,315	444,315
Board Financial Assistance Admin. Allowance	1,419,460				1,419,460	1,419,460
Cal Grant	2,831,568			694,881	2,136,687	2,136,687
Cal Works	503,726			37	503,689	503,689
California Community Colleges Student Mental Health			15,000		15,000	15,000
Career Technical Education Community Collaborative	41,024	489,958		138,330	7	392,645
Career Technical Education Pathways Initiative	80,000			60,532		19,468
Career Technical Education Statewide Evaluation		270,692	654,900			925,592
Child Development Apportionment	98,961					98,961
Child Development Preschool Program	93,005			817		92,188
Deputy Sector Navigator Health	151,592			28,408		123,184
Disabled Student Programs & Service (DSPS)	2,341,998					2,341,998
Economic & Workforce Development- Deputy Sector Navigator - Health	120,000		28,408			148,408
Economic Opportunity (EOPS)	2,335,999			5		2,335,994
Employment Training Panel	40,296					40,296
EOPS-Coop Agency Resource Education (CARE)	148,925					148,925
Equal Employment Opportunity - Staff Diversity	12,935	15,087		17,084		10,938
Global Trade & Logistics - Ranch Santiago Community College District	4,000			4,000		-
Instructional Equipment & Library Materials	410,725			128,442		282,283
Lottery-Restricted Materials	228,271	538,323	816,946	186,024		1,397,516
Mental Health Training CA Law Enforcement			74,012			74,012
Nursing Education - AS RN Enrollment Growth Retention	233,520		44,480			278,000
Perkins Title I-B Leadership	61,184		30,633			91,817
Regional Health Occupations Resource Center Health Care Development	36,183					36,183
Scheduled Maintenance	410,731					410,731
Staff Development		12,481		5,979		6,502
State Capital Outlay	282,283					282,283
State Hospitals (Fairview Handicapped)	632,817					632,817
State On the Job Training Work Experience	3,975					3,975
Student Success Credit	2,341,998					2,341,998
Student Success-CCC-Non Credit	47,122					47,122
Temporary Assistance to Needy Families (TANF)	124,578					124,578
Workforce & Economic Development	21,063					21,063
Youth Entrepreneurship Program			20,000			20,000
YESS-Mini Grant	1,000					1,000
Total State Programs	\$ 15,605,108	\$ 2,119,471	\$ 1,684,379	\$ 2,100,581	\$ 7	\$ 17,308,370

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, 2014**

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2013 only)			
1. Noncredit ¹	11.61		11.61
2. Credit	2,163.22	(80.23)	2,082.99
B. Summer Intersession (Summer 2014 - Prior to July 1, 2014)			
1. Noncredit ¹	0.05		0.05
2. Credit	523.18	516.17	1,039.35
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	21,302.98	0.75	21,303.73
(b) Daily Census Contact Hours	1,221.14	(0.03)	1,221.11
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit ¹	238.20	(0.37)	237.83
(b) Credit	1,216.33	(11.78)	1,204.55
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	4,256.55	(314.71)	3,941.84
(b) Daily Census Contact Hours	1,686.59	(107.21)	1,579.38
(c) Noncredit Independent Study/Distance Education Courses	-		-
D. Total FTES	<u>32,619.85</u>	<u>2.59</u>	<u>32,622.44</u>
Supplemental Information (subset of above information)			
E. In-Service Training Courses (FTES)	10.20		10.20
H. Basic Skills courses and Immigrant Education			
(a) Noncredit ¹	169.36	(2.31)	167.05
(b) Credit	2,098.91	221.11	2,320.02
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	-		-
Centers FTES			
(a) Noncredit ¹	-		-
(b) Credit	-		-

¹Including Career Development and College Preparation (CDCP) FTES

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2014

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Bond Construction Funds</u>	<u>Self-Insurance Fund</u>
June 30, 2014 Annual Financial and Budget Report Fund Balance (CCFS-311)	\$ 35,356,373	\$ 10,889,026	\$ 154,272,536	\$ 76,037,422
Adjustments and Reclassifications:				
Overstatement of cash		(991,578)		
Overstatement of accounts receivable				(1,131,954)
Overstatement of accounts payable	705,378	330,703	567,990	606,348
Understatement of incurred but not reported claims liability				(3,004,279)
To remove other postemployment benefits trust fund for financial statement presentation				<u>(57,887,369)</u>
June 30, 2014 Audited Financial Statement Fund Balances	<u>\$ 36,061,751</u>	<u>\$ 10,228,151</u>	<u>\$ 154,840,526</u>	<u>\$ 14,620,168</u>

Additional entries were made to comply with the GASB 34/35 reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2014

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	32,698,508		32,698,508	32,698,508		32,698,508
Other	1300	23,399,658		23,399,658	23,399,658		23,399,658
Total Instructional Salaries		56,098,166		56,098,166	56,098,166		56,098,166
Non-Instructional Salaries							
Contract or Regular	1200			-	12,576,336		12,576,336
Other	1400			-	1,825,970		1,825,970
Total Non-Instructional Salaries				-	14,402,306		14,402,306
Total Academic Salaries		56,098,166	-	56,098,166	70,500,472	-	70,500,472
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100			-	29,910,447		29,910,447
Other	2300			-	2,320,661		2,320,661
Total Non-Instructional Salaries					32,231,108		32,231,108
Instructional Aides							
Regular Status	2200	2,943,309		2,943,309	2,943,309		2,943,309
Other	2400	921,960		921,960	921,960		921,960
Total Instructional Aides		3,865,269		3,865,269	3,865,269		3,865,269
Total Classified Salaries		3,865,269	-	3,865,269	36,096,377	-	36,096,377
Employee Benefits	3000	19,409,794		19,409,794	43,108,572		43,108,572
Supplies and Materials	4000			-	1,418,579		1,418,579
Other Operating Expenses	5000			-	14,158,897		14,158,897
Equipment Replacement	6420			-			-
Total Expenditures Prior to Exclusions		79,373,229	-	79,373,229	165,282,897	-	165,282,897

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

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

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	5,293,100		5,293,100	5,293,100		5,293,100
Student Health Services Above Amount Collected	6441			-	58,379		58,379
Student Transportation	6491			-	537,317		537,317
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740			-	6,875,300		6,875,300
Objects to Exclude							
Rents and Leases	5060			-	1,272,003		1,272,003
Lottery Expenditures							
Academic Salaries	1000			-	2,627,397		2,627,397
Classified Salaries	2000			-			-
Employee Benefits	3000			-	684,445		684,445
Supplies and Materials	4000			-			-
Software	4100			-			-
Books, Magazines, & Periodicals	4200			-			-
Instructional Supplies & Materials	4300			-			-
Noninstructional, Supplies & Materials	4400			-			-
Total Supplies and Materials							
Other Operating Expenses and Services	5000			-	872,064		872,064
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment	6400			-			-
Equipment - Additional	6410			-			-
Equipment - Replacement	6420			-			-
Total Equipment							
Total Capital Outlay							
Other Outgo	7000			-			-
Total Exclusions		5,293,100	-	5,293,100	18,220,005	-	18,220,005
Total for ECS 84362, 50% Law		74,080,129	-	74,080,129	147,062,892	-	147,062,892
Percent of CEE (Instructional Salary Cost / Total CEE)		50.37%	0.0%	50.37%	100%	0%	100%
50% of Current Expense of Education					73,531,446	-	73,531,446

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACCOUNT EXPENDITURE REPORT

For the Fiscal Year Ended June 30, 2014

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 23,752,303.00
Activity Classification	Object Code	Salaries and Benefits (1000 - 3000)	Operating Expenses (4000 - 5000)	Capital Outlay (6000)	Total
Instructional Activities	0100-5900	\$ 23,752,303	\$ -	\$ -	\$ 23,752,303
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
Total Expenditures for EPA*		\$ 23,752,303	\$ -	\$ -	\$ 23,752,303
Revenues less Expenditures					-
*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.					

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30,**

	<u>(Budget) 2015</u>		<u>2014</u>		<u>2013</u>		<u>2012</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>COMBINED GENERAL FUND:</u>								
<u>Revenue</u>								
Federal	\$ 3,718,503	1.78	\$ 2,816,405	1.42	\$ 8,300,926	4.31	\$ 8,358,756	4.13
State	63,439,671	30.34	64,964,952	32.54	56,284,236	29.25	73,122,065	36.14
County, Local, and Other	137,180,889	65.61	130,445,779	65.34	140,795,051	73.18	113,547,164	56.12
Total Revenue	<u>204,339,063</u>	<u>97.73</u>	<u>198,227,136</u>	<u>99.30</u>	<u>205,380,213</u>	<u>106.74</u>	<u>195,027,985</u>	<u>96.39</u>
<u>Expenditures</u>								
Academic Salaries	69,724,749	33.35	74,314,744	37.23	70,146,461	36.45	70,849,060	35.02
Classified Salaries	49,957,889	23.89	47,607,579	23.85	47,998,365	24.95	49,723,043	24.57
Employee Benefits	51,473,082	24.62	47,752,590	23.92	48,071,188	24.99	49,533,829	24.48
Supplies and Materials	4,391,548	2.10	3,356,503	1.68	3,981,431	2.07	2,884,736	1.43
Other Operating Expenses and Services	28,565,650	13.66	18,628,617	9.33	18,688,967	9.71	19,282,787	9.53
Capital Outlay	2,731,596	1.31	2,424,939	1.21	2,146,951	1.12	2,103,833	1.04
Other Uses	2,241,667	1.07	5,548,639	2.78	1,362,624	0.71	7,961,707	3.93
Total Expenditures	<u>209,086,181</u>	<u>100.00</u>	<u>199,633,611</u>	<u>100.00</u>	<u>192,395,987</u>	<u>100.00</u>	<u>202,338,995</u>	<u>100.00</u>
Other Financing Sources	<u>500,000</u>	<u>0.24</u>	<u>500,000</u>	<u>0.25</u>	<u>500,222</u>	<u>0.26</u>	<u>3,505,598</u>	<u>1.73</u>
Change in Fund Balance	<u>\$ (4,247,118)</u>	<u>(2.03)</u>	<u>\$ (906,475)</u>	<u>(0.45)</u>	<u>\$ 13,484,448</u>	<u>7.00</u>	<u>\$ (3,805,412)</u>	<u>(1.88)</u>
Ending Fund Balance	<u>\$ 31,814,633</u>	<u>15.22</u>	<u>\$ 36,061,751</u>	<u>18.06</u>	<u>\$ 36,968,226</u>	<u>19.21</u>	<u>\$ 23,483,778</u>	<u>11.61</u>
Available Reserve Balance	<u>\$ 30,150,772</u>	<u>14.42</u>	<u>\$ 31,585,772</u>	<u>15.82</u>	<u>\$ 34,896,710</u>	<u>18.14</u>	<u>\$ 20,946,164</u>	<u>10.35</u>
Full-time Equivalent Students	<u>32,622</u>		<u>32,622</u>		<u>30,103</u>		<u>33,772</u>	
Total Long-Term Debt	<u>\$ 594,083,641</u>		<u>612,874,665</u>		<u>\$ 620,226,323</u>		<u>\$ 391,249,281</u>	

IMPORTANT NOTES:

All percentages are of total unrestricted and restricted expenditures combined.

The 2015 budget is the Plan and Budget adopted by the Board of Trustees on September 2, 2014.

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.

Fiscal Years Ended June 30, 2012 and 2013 were audited by another firm. Other Operating Expenses and Services for June 30, 2013 was changed to reflect an audit adjustment made but not presented on this schedule in the prior year audit report.

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON FOR THE COMBINED GENERAL FUND
For the Fiscal Year Ended June 30, 2014**

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Revenue from Federal Sources			
Higher Education Act	\$ 1,641,070	\$ 1,011,476	\$ (629,594)
Workforce Investment Act	1,836,471	59,996	(1,776,475)
Temporary Assistance for Needy Families (TANF)	124,701	124,577	(124)
Career and Technical Education Act	1,352,012	1,305,560	(46,452)
Other Federal Revenue	918,669	314,796	(603,873)
Revenue from State Sources			
General Apportionments	44,367,696	45,990,696	1,623,000
Categorical Apportionments	14,855,212	11,857,262	(2,997,950)
Other State Revenues	6,467,445	7,116,994	649,549
Revenue from Local Sources			
Property Taxes	103,300,000	98,140,709	(5,159,291)
Interest and Investment Income	180,439	135,953	(44,486)
Student Fees and Charges	25,322,649	26,031,038	708,389
Other Local Revenue	<u>5,301,620</u>	<u>6,138,079</u>	<u>836,459</u>
TOTAL REVENUES	<u>205,667,984</u>	<u>198,227,136</u>	<u>(7,440,848)</u>
EXPENDITURES			
Academic Salaries	74,056,295	74,314,744	(258,449)
Classified Salaries	49,578,610	47,607,579	1,971,031
Employee Benefits	49,182,344	47,752,590	1,429,754
Supplies and Materials	5,517,500	3,356,503	2,160,997
Other Operating Expenses & Services	30,846,965	18,628,617	12,218,348
Capital Outlay	3,190,487	2,424,939	765,548
Other Uses	<u>1,758,425</u>	<u>1,196,914</u>	<u>561,511</u>
TOTAL EXPENDITURES	<u>214,130,626</u>	<u>195,281,886</u>	<u>18,848,740</u>
Excess (deficiency) of revenues over expenditures	<u>(8,462,642)</u>	<u>2,945,250</u>	<u>11,407,892</u>
OTHER FINANCING SOURCES (USES)			
Interfund Transfers Out	<u>(1,000,000)</u>	<u>(4,351,725)</u>	<u>(3,351,725)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,000,000)</u>	<u>(4,351,725)</u>	<u>(3,351,725)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (9,462,642)</u>	<u>(1,406,475)</u>	<u>\$ 8,056,167</u>
Fund Balances at Beginning of Year		<u>36,968,226</u>	
Fund Balances at End of Year		<u>\$ 35,561,751</u>	

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2014

NOTE 1 - PURPOSE OF SCHEDULES:

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

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

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

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

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

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

D. Reconciliation of 50 Percent Law Calculation

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

E. Proposition 30 Education Protection Account Expenditure Report

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

F. Schedule of General Fund Financial Trends and Analysis

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

G. Schedule of Budgetary Comparison for the Combined General Fund

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

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2014

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

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

Academic Salaries	\$258,449
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OTHER INDEPENDENT AUDITOR'S REPORTS



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of Coast Community College District (the District) as of and for the year ended June 30, 2014 and have issued our report thereon dated November 12, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. See finding 2014-001.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether Coast Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule for findings and questioned costs as finding 2014-002 and finding 2014-003.

District's Response to Findings

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

Purpose of this Report

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


VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 12, 2014



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

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

Report on Compliance for Each Major Federal Program

We have audited Coast Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Purpose of this Report

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

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

Glendora, California

November 12, 2014

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

We have audited the Coast Community College District's (the District) compliance with the types of compliance requirements described in the *2013-14 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2014. The District's State compliance requirements are identified below.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2013-14 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Proposition 39 Clean Energy Funds
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

In our opinion, the Coast Community College District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2013-14 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office, and which are described in the accompanying schedule of findings and questioned costs as Finding 2014-002 and Finding 2014-003. Our opinion on each state program is not modified with respect to these matters.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

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 *2013-14 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Accordingly, this report is not suitable for any other purpose.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

Glendora, California

November 12, 2014

FINDINGS AND RECOMMENDATIONS

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2014

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiency identified not considered to be material weaknesses?	<u> X </u>	Yes	<u> </u>	None reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	None reported

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

Any audit findings disclosed that are required to be Reported in accordance with Circular A-133, Section .510(a)

	<u> </u>	Yes	<u> X </u>	No
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Identification of major programs tested

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

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

Auditee qualified as low-risk auditee? X Yes No

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2014

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

FINDING 2014-001 – CLOSING PROCEDURES

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

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

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

District Response: A formal closing procedure manual is in development and will be distributed through a training session to all appropriate departments. The closing procedure manual will include a checklist of activities that are performed to close the books for the year and prepare audit. Additionally, a new month-end procedure is also in development to review all journal entries relating to accruals and analysis of general ledger accounts.

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2014

There were no findings and questioned costs related to federal awards for the fiscal year ended June 30, 2014.

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2014

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

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

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

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

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

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

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

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS

June 30, 2014

(Continued)

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

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

District Response: All courses with TBA hours have been reviewed and revised as appropriate. Additionally, new procedures have been put in place at Golden West College for recording, collecting, and maintaining class records in accordance with TBA rules when a class meets the definition of Weekly or Daily Census procedures.

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

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

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

Context: The District claimed the amount of contact hours for online daily and weekly classes (that do not have an online lab session) that were equivalent to the amount of hours if the courses had been on-campus. This calculation was based on statements in the Distance Education Guidelines – 2008 Omnibus Version relating to the intent of the attendance accounting regulations that colleges should not be ‘penalized’ for offering online courses. The example in the guidelines used a 17.5 term length multiplier (TLM). Therefore the District used this term length multiplier to adjust the total hours since the alternative attendance method requires the use of course units rather than hours scheduled. For example, a traditional 3 unit on campus class might be offered for 3.4 hours per week for 16 weeks yielding 54.4 total hours (3.4*16 TLM). That same 3 unit class offered online and not regularly scheduled must use the alternative attendance accounting method. This method specifies the use of 3 units * 16 TLM yielding only 48 total hours. Given the ‘equivalent’ language in the 2008 Omnibus Guidelines and the requirement to use units instead of hours, the only way to achieve an accounting of total hours for online classes equivalent to traditional, on campus classes was to utilize the maximum 17.5 TLM. This resulted in total hours that were still less than traditional offerings (3*17.5=52.5 compared to 54.5 for an on-campus class).

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2014

(Continued)

FINDING 2014-003: SECTION 424 – STATE GENERAL APPORTIONMENT
FUNDING SYSTEM
(continued)

Questioned Costs: The entire population of online classes without an online lab session was affected, so no extrapolation was performed. A total of 518.77 FTES were removed for the Recertified Annual Attendance report. However, the District claimed an additional 516.17 FTES from eligible Summer 2014 course sections to yield a net difference of only -2.6 FTES.

Effect: Non-compliance and an overstatement of contact hours and FTEs for attendance reporting.

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

District Response: The District changed in the Banner ERP system the settings to implement a single 16 TLM and removed all adjustments to online daily and weekly classes (without a lab session) that resulted in contact hours that were equivalent to traditional on campus class offerings. This change occurred for all terms included in the 2013-14 fiscal year and is in place going forward. A CCFS-320 Recalculation Report was certified and submitted for 2013-14 Fiscal Year. As stated above, the net difference submitted was -2.6 CA Resident FTES. This represented the District removing 518.77 CA Resident FTES but including an additional 516.17 eligible CA Resident FTES from Summer 2014 that would have otherwise been claimed for the 2014-15 Fiscal Year.

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2014

Finding F-2013-01 - Cash Management – Excess Cash

Federal Catalog Number: 84.063
Federal Program Name: Student Financial Assistance Cluster: Federal Pell Grant Program
Federal Agency: U.S. Department of Education
Pass-Through Entity: N/A
Campus: N/A

Criteria or Requirement:

Title 34 – Education, Chapter IV - Office of Postsecondary Education, Department of Education, Part 668 – Student Assistance General Provisions – Subpart K—Cash Management, Section 668.166(b) Excess cash

(a) *General:*

- (1) The Secretary considers excess cash to be any amount of title IV, HEA program funds, other than Federal Perkins Loan Program funds that an institution does not disburse to students or parents by the end of the third business day following the date the institution—
 - (i) Received those funds from the Secretary; or
 - (ii) Deposited or transferred to its Federal account previously disbursed title IV, HEA program funds received from the Secretary, such as those resulting from award adjustments, recoveries, or cancellations.
- (2) The provisions of this section do not apply to the title IV, HEA program funds that an institution receives from the Secretary under the just-in-time payment method.

(b) *Excess cash tolerances:* An institution may maintain for up to seven days an amount of excess cash that does not exceed one percent of the total amount of funds the institution drew down in the prior award year. The institution must return immediately to the Secretary any amount of excess cash over the one-percent tolerance and any amount remaining in its account after the seven-day tolerance period.

Condition Found: During our testing of the District’s compliance with the cash management requirements, we noted that 5 out of 25 drawdowns sampled resulted in the District carrying cash in excess of the 1% tolerance after 3 business days from receipt of funds from Department of Education. The excess cash was carried by the District for 2 to 10 days.

Questioned Cost: The interest calculated on the excess cash amounted to \$48.

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2014

Finding F-2013-01 - Cash Management – Excess Cash (continued)

Possible Asserted Cause and Effect: Adequate monitoring controls do not appear to be in place to ensure that the District does not maintain cash in excess of the allowed tolerance level. This could result in requiring the District to reimburse the Department of Education for the costs incurred in providing the excess cash to the District.

Recommendation: We recommend that the District implement stricter controls to ensure compliance with this requirement.

Current Status: Implemented.

Finding F 2013-02 - Special Tests and Provisions - Return to Title IV – Return to Title IV – Incorrect and Late Payment of Post Withdrawal Disbursement

Federal Catalog Number: 84.063
Federal Program Name: Student Financial Assistance Cluster: Federal Pell Grant Program
Federal Agency: .S. Department of Education
Pass-Through Entity: N/A
Campus: Orange Coast College

Criteria or Requirement:

Title 34 – Education, Chapter VI – Office of Postsecondary Education, Department of Education, Part 668 – Student Assistance General Provisions - Subpart B—Standards for Participation in Title IV, HEA Programs

§ 668.22(a)(6)(ii)(B)(1)

The institution must disburse directly to a student any amount of a post-withdrawal disbursement of grant funds that is not credited to the student's account. The institution must make the disbursement 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 paragraph (1)(3) of this section.

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2014

Finding F 2013-02 - Special Tests and Provisions - Return to Title IV – Return to Title IV – Incorrect and Late Payment of Post Withdrawal Disbursement (continued)

Condition: During our testing of the timeliness of payments of post-withdrawal disbursements to the students, we noted the following:

- In 2 out of 10 samples selected from OCC, the post-withdrawal disbursements were paid to the students 88 days after the institution determined that the student withdrew.
- In 1 out of 10 samples selected from OCC, the amount of post-withdrawal payment made to the student was \$2,650 more than the actual calculated amount. In addition the payment was made 92 days after the institution determined that the student withdrew.

Questioned Cost: Total questioned cost was \$2,650.

Possible Asserted Cause and Effect: There appear to be insufficient monitoring controls in place over payment of post-withdrawal disbursements.

Recommendation: We recommend that the District implement stricter controls to ensure that payments of postwithdrawal disbursements are made correctly and timely.

Current Status: Implemented.

Finding F 2013-03 - Special Tests and Provisions - Return to Title IV – Incorrect Return to Title IV Calculation

Federal Catalog Number: 84.063
Federal Program Name: Student Financial Assistance Cluster: Federal Pell Grant Program
Federal Agency: U.S. Department of Education
Pass-Through Entity: N/A
Campus: Orange Coast College

Criteria or Requirement: Title 34 – Education, Chapter Vi – Office of Postsecondary Education, Department of Education, Part 668 – Student Assistance General Provisions - Subpart B—Standards for Participation in Title IV, HEA Programs

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2014

Finding F 2013-03 - Special Tests and Provisions - Return to Title IV – Incorrect Return to Title IV Calculation (continued)

Criteria or Requirement: (continued)

General:

(1) When a recipient of title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of title IV grant or loan assistance that the student earned as of the student's withdrawal date

- (e) *Calculation of the amount of title IV assistance earned by the student* —(1) *General*. The amount of title IV grant or loan assistance that is earned by the student is calculated by:
- (i) Determining the percentage of title IV grant or loan assistance that has been earned by the student, as described in paragraph (e)(2) of this section; and
 - (ii) Applying this percentage to the total amount of title IV grant or loan assistance that was disbursed (and that could have been disbursed, as defined in paragraph (1)(1) of this section) to the student, or on the student's behalf, for the payment period or period of enrollment as of the student's withdrawal date.

Condition: During our testing of the District's compliance with the Return of Title IV (R2T4) funds, we noted that the calculation of amount of funds to be returned to the Department of Education was incorrect for the following samples selected from Orange Coast College (OCC):

- In 3 out of 10 R2T4 calculations tested from OCC, the total scheduled award used in the calculation was incorrect.
- In 4 out of 10 R2T4 calculations tested from OCC, the amount of institutional charges used in the calculation was incorrect.

Questioned Cost: Total questioned cost was \$889.

Possible Asserted Cause and Effect: There appear to be insufficient monitoring controls in place over calculation of R2T4.

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2014

Finding F 2013-03 - Special Tests and Provisions - Return to Title IV – Incorrect Return to Title IV Calculation (continued)

Recommendation: We recommend that the District implement stricter controls to ensure that information used in the calculation of Return to Title IV funds is correct and accurate.

Current Status: Implemented

Finding F-2013-04 Return to Title IV – Timely Return of Title IV School Portion to the Department of Education

Federal Catalog Number: 84.063
Federal Program Name: Student Financial Assistance Cluster: Federal Pell Grant Program
Federal Agency: U.S. Department of Education
Pass-Through Entity: N/A
Campus: Orange Coast College

Criteria or Requirement: Title 34 – Education, Chapter Vi – Office of Postsecondary Education, Department of Education, Part 668 – Student Assistance General Provisions – Subpart L – Financial Responsibility Section 668.173(b) Timely Return of Title IV Funds.

In accordance with procedures established by the Secretary or FFEL Program lender, an institution returns unearned Title IV, HEA funds timely if:

- (1) The institution deposits or transfers the funds into the bank account it maintains under §668.163 no later than 45 days after the date it determines that the student withdrew;
- (2) The institution initiates an electronic funds transfer (EFT) no later than 45 days after the date it determines that the student withdrew;
- (3) The institution initiates an electronic transaction, no later than 45 days after the date it determines that the student withdrew, that informs an FFEL lender to adjust the borrower's loan account for the amount returned; or

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2014

Finding F-2013-04 Return to Title IV – Timely Return of Title IV School Portion to the Department of Education (continued)

Criteria or Requirement: (continued)

- (4) The institution issues a check no later than 45 days after the date it determines that the student withdrew. However, the Secretary considers that the institution did not satisfy this requirement if:
- (i) The institution's records show that the check was issued more than 45 days after the date the institution determined that the student withdrew; or
 - (ii) The date on the canceled check shows that the bank used by the Secretary or FFEL Program lender endorsed that check more than 60 days after the date the institution determined that the student withdrew.

Condition: During our testing of the timeliness of return of the Title IV school portion to the Department of Education, we noted that in 1 out of 10 samples selected from OCC, the school portion was returned to the Department of Education or deposited to the PELL Disbursement account 59 days after the institution determined that the student withdrew.

Questioned Cost: Not applicable.

Possible Asserted Cause and Effect: Adequate monitoring controls do not appear to be in place to ensure that the return of Title IV funds is made within the required number of days.

Recommendation: We recommend that the District implement stricter controls to ensure compliance with the requirement for timely return of Title IV funds.

Current Status: Implemented.

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2014

Finding F-2013-05 Enrollment Status Reporting – Late and Inaccurate reporting of enrollment status information to the National Student Loan Data System

Federal Catalog Number: 84.033

Federal Program Name: Student Financial Assistance Cluster: Federal Direct Loan Program

Federal Agency: U.S. Department of Education

Pass-Through Entity: N/A

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

Criteria or Requirement: Title 34 – Education, Chapter VI – Office of Postsecondary Education, Department of Education, Part 685—William D. Ford Federal Direct Loan Program, Subpart C—Requirements, Standards, and Payments for Direct Loan Program Schools, Section 685.309 Administrative and fiscal control and fund accounting requirements for schools participating in the Direct Loan Program.

(b) *Student status confirmation reports.* A school shall—

- 1) Upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt; and
- 2) Unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who—
 - (i) Enrolled at that school but has ceased to be enrolled on at least a half-time basis;
 - (ii) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or
 - (iii) Has changed his or her permanent address.

Condition: During our testing of compliance with the enrollment reporting requirements we noted the following:

Orange Coast

- The enrollment status of 2 out of 25 students tested from Orange Coast (OCC) were not reported to NSLDS.
- The effective dates of the enrollment status changes of 7 out of 25 students tested from OCC were incorrectly reported to NSLDS.

Golden West

- In 2 out of the 5 students tested from Golden West (GWC), the enrollment status changes were not reported to NSLDS.

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2014

Finding F-2013-05 Enrollment Status Reporting – Late and Inaccurate reporting of enrollment status information to the National Student Loan Data System (continued)

Golden West (continued)

- The effective dates of the enrollment status changes of 1 out of 5 students tested from GWC was incorrectly reported to NSLDS.

Coastline

- The effective dates of the enrollment status changes of 2 out of 5 students tested from Coastline were incorrectly reported to NSLDS.

Questioned Cost: Not applicable.

Possible Asserted Cause and Effect: The general cause was a staff shortage coupled with the longer time required to review all graduation petitions received by the schools each term.

Recommendation: We recommend that the District implement stricter controls and augment staffing, if appropriate, to ensure compliance with the requirement for reporting to NSLDS.

Current Status: Implemented.

Finding F-2013-06 - Borrower Data Transmission and Reconciliation – Inaccurate Reporting of Actual Disbursement Amount and Dates

Federal Catalog Number: 84.063

Federal Program Name: Student Financial Assistance Cluster: Federal Direct Loan Program

Federal Agency: U.S. Department of Education

Pass-Through Entity: N/A

Campus: Orange Coast

Criteria or Requirement: Title 34 – Education, Chapter VI – Office of Postsecondary Education, Department of Education, Part 685—William D. Ford Federal Direct Loan Program, Subpart C—Requirements, Standards, and Payments for Direct Loan Program Schools, Section 685.301 Origination of a loan by a Direct Loan Program School.

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2014

Finding F-2013-06 - Borrower Data Transmission and Reconciliation – Inaccurate Reporting of Actual Disbursement Amount and Dates (continued)

Criteria or Requirement: (continued)

(a) *Determining eligibility and loan amount.* (1) A school participating in the Direct Loan Program shall ensure that any information it provides to the Secretary in connection with loan origination is complete and accurate. A school shall originate a Direct Loan while the student meets the borrower eligibility requirements of § 685.200. Except as provided in 34 CFR part 668, subpart E, a school may rely in good faith upon statements made by the borrower and, in the case of a parent PLUS loan borrower, the student and the parent borrower. (2) A school shall provide to the Secretary borrower information that includes but is not limited to—

- (i) The borrower's eligibility for a loan, as determined in accordance with § 685.200 and § 685.203;
- (ii) The student's loan amount; and
- (iii) The anticipated and actual disbursement date or dates and disbursement amounts of the loan proceeds.

Condition Found: During our testing of compliance with the reporting requirements for direct loans, we noted the following:

- In 7 out of 25 samples tested from OCC, the disbursement dates reported to COD were different from the actual dates of disbursement.
- In 2 out of 25 samples tested from OCC, the disbursement amounts reported to COD were different from the actual amounts of disbursement.
-

Questioned Costs: Not applicable

Possible Asserted Cause and Effect: Adequate monitoring controls do not appear to be in place to ensure that the information is being reported correctly to the Department of Education.

Recommendation: We recommend that the District implement stricter controls to ensure compliance with the reporting requirements.

Current Status: Implemented.

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2014

Finding F-2013-07 - Borrower Data Transmission and Reconciliation – Late Reporting of Direct Loan Disbursement to Department of Education

Federal Catalog Number: 84.063
Federal Program Name: Student Financial Assistance Cluster: Federal Direct Loan Program
Federal Agency: U.S. Department of Education
Pass-Through Entity: N/A
Campus: Orange Coast

Criteria or Requirement: Title 34 – Education, Chapter VI – Office of Postsecondary Education, Department of Education, Part 685—William D. Ford Federal Direct Loan Program, Subpart C—Requirements, Standards, and Payments for Direct Loan Program Schools, Section 685.301 Origination of a loan by a Direct Loan Program School.

(a) *Determining Disbursement Dates and Amounts:* (2) A school that participates under school origination option 1 or standard origination must submit the initial disbursement record for a loan to the Secretary no later than 30 days following the date of the initial disbursement. The school must submit subsequent disbursement records, including adjustment and cancellation records, to the Secretary no later than 30 days following the date the disbursement, adjustment, or cancellation is made.

Condition Found: During our testing of compliance with the reporting requirements, we noted the following:

- In 2 out of 25 samples tested from OCC, the Direct Loan disbursement was reported to COD 40 days from the date of disbursement.

Questioned Costs: Not applicable

Possible Asserted Cause and Effect: Adequate monitoring controls do not appear to be in place to ensure that the information is being reported timely to the Department of Education.

Recommendation: We recommend that the District implement stricter controls to ensure compliance with the reporting requirements.

Current Status: Implemented.

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2014

Finding F-2013-08 - FPL and Grant Overpayment Reporting to the National Student Loan Data System (NSLDS)

Federal Catalog Number: 84.063
Federal Program Name: Student Financial Assistance Cluster: Federal Pell Grant Program
Federal Agency: U.S. Department of Education
Pass-Through Entity: N/A
Campus: Orange Coast College

Criteria or Requirement: Title 34 – Education, Chapter VI – Office of Postsecondary Education, Department of Education, Part 668—Student Assistance General Provisions, Subpart B - Standards for Participation in Title IV, HEA Programs.

§ 668.22(h)(4)(iv)

An institution must refer to the Secretary, in accordance with procedures required by the Secretary, an overpayment of Title IV, HEA grant funds owed by a student as a result of the student's withdrawal from the institution if—

- (a) The student does not repay the overpayment in full to the institution, or enter into a repayment agreement with the institution or the Secretary in accordance with paragraph (h)(4)(i) of this section within the earlier of 45 days from the date the institution sends a notification to the student of the overpayment, or 45 days from the date the institution was required to notify the student of the overpayment;
- (b) At any time the student fails to meet the terms of the repayment agreement with the institution entered into in accordance with paragraph (h)(4)(i)(B) of this section; or
- (c) The student chooses to enter into a repayment agreement with the Secretary.

Condition Found: During our testing of the District's compliance with the above requirements, we noted the following:

- 3 out of 10 student overpayments selected for testing for the Fall semester were calculated late in the Spring 2013.
- 2 out of 10 students overpayments tested that were not paid within 45 days were not reported to NSLDS.

Questioned Costs: Not applicable

Possible Asserted Cause and Effect: Adequate monitoring controls do not appear to be in place to ensure that overpayments are reported timely to the Department of Education.

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2014

Finding F-2013-08 - FPL and Grant Overpayment Reporting to the National Student Loan Data System (NSLDS) (continued)

Recommendation: We recommend that the District implement stricter controls to ensure compliance with the reporting requirements.

Current Status: Implemented.

CONTINUING DISCLOSURE INFORMATION

COAST COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE INFORMATION (UNAUDITED)
June 30, 2014

Assessed valuation for fiscal year 2013-14 \$170,172,790,523 (1)

Largest 2013-14 Local Secured Taxpayers (1)

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2013-14 Assessed Valuation</u>	<u>% of Total (3)</u>
1.	The Irvine Company	Commercial	\$1,916,091,530	1.13%
2.	Oxy USA Inc.	Oil & Gas	567,890,404	0.33
3.	South Coast Plaza	Commercial	314,414,983	0.18
4.	Rreef America REIT II Corp. CCCC2	Commercial	258,913,844	0.15
5.	United Dominion Realty LP	Apartments	237,274,995	0.14
6.	Bella Terra Associates LLC	Commercial	206,836,799	0.12
7.	DCOR, LLC	Oil & Gas	192,564,228	0.11
8.	Mayer Financial, LP	Commercial	191,505,080	0.11
9.	McDonnell Douglas Corp.	Industrial	180,874,003	0.11
10.	JKS-CMFV LLC	Commercial	169,127,485	0.10
11.	Oxy Long Beach Inc.	Oil & Gas	165,219,856	0.10
12.	Marjack LLC	Apartments	147,714,541	0.09
13.	Retail Property Trust	Commercial	125,988,571	0.07
14.	UDR Newport Beach North LP	Apartments	124,924,813	0.07
15.	Coronado South Apartments LP	Apartments	119,910,858	0.07
16.	Interinsurance Exchange of the Automobile Club of America	Commercial	114,002,452	0.07
17.	Newport Healthcare Center LLC	Commercial	102,000,000	0.06
18.	Balboa Bay Club Inc.	Commercial	101,511,827	0.06
19.	CIM/Huntington LLC	Commercial	100,394,693	0.06
20.	100 Bayview LLC	Commercial	98,843,877	0.06
			<u>\$5,436,004,839</u>	<u>3.19%</u>

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

(2) % of total assessed valuation for fiscal year 2013-14 of \$170,172,790,523.