COAST COMMUNITY COLLEGE DISTRICT
ORANGE COUNTY

REPORT ON AUDIT OF FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION INCLUDING REPORTS ON COMPLIANCE
June 30, 2018

COAST COMMUNITY COLLEGE DISTRICT
TABLE OF CONTENTS
June 30, 2018

COAST COMMUNITY COLLEGE DISTRICT
TABLE OF CONTENTS
June 30, 2018

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Coast Community College District (the District) as of and for the year ended June 30, 2018, 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.

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

INDEPENDENT AUDITORS' REPORT

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

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

Opinion

In our opinion, the financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the District as of June 30, 2018, 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.

Emphasis of a Matter

During fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period.* Our auditors' opinion was not modified with respect to the implementation.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the District's financial statements as a whole. The supplementary schedules, and the continuing disclosure information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of

INDEPENDENT AUDITORS' REPORT

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

additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 13, 2018

COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2018

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, 2018. 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 programs 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

Key assumptions in the 2017-18 Adopted Budget plan included 1) a 1.56% Cost of Living Adjustment, 2) a Per-Employee-Per-Year (PEPY) cost of health benefits of $17,900, reflecting the total current year cost of $43.7 million, or a year-over-year programmatic increase of 6.69%, 3) No budgeted growth, 4) combined pension contribution increases across both the California

Public Employees Retirement System (CalPERS) and the California State Teachers Retirement System (Cal STRS) totaled $2.5 million, and 6) a beginning fund balance of $40.8 million.

The District ended the 2017-18 FY with a $36.3 million fund balance. This represents a $4.5 million decline from the prior year amount of $40.8 million. Nevertheless, the District has maintained resources sufficient 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. The District continues to manage its retiree health trust across two programs including the Community College League of California Joint Powers Authority and the Keenan Futuris program. The District's Retirement Board of Authority meets on a quarterly basis to review and evaluate performance of the trusts. At June 30, 2018, between the two programs, $76.1 million is held in an irrevocable trust to meet the District's liability of approximately $107.4 million. Although the new Governmental Accounting Standards Board (GASB) requirements no longer use the Annual Required Contribution (ARC) as a measure, this in no way changes the District's contractual obligations and we will continue to budget both pay-as-you-go costs as well as an amount to mitigate the unfunded liability in the next 15-20 years.

The District runs the Banner financial software which is integrated with the human resources and student systems. The District uses the position budgeting feature to build the budgets and allows on-line budget transfers for faster, more accurate processing. The Banner financial software is also used for the student system. The student financials feed into the Banner financial system which uses an accrual method of accounting. The District has implemented the Financial Aid management and reporting function into the Banner system. Further, the District is now in the process of moving from Banner v8 to Banner v9. We have a target go-live date of July 1, 2019. This project will also involve moving our data storage from an on-premises data center to the cloud.

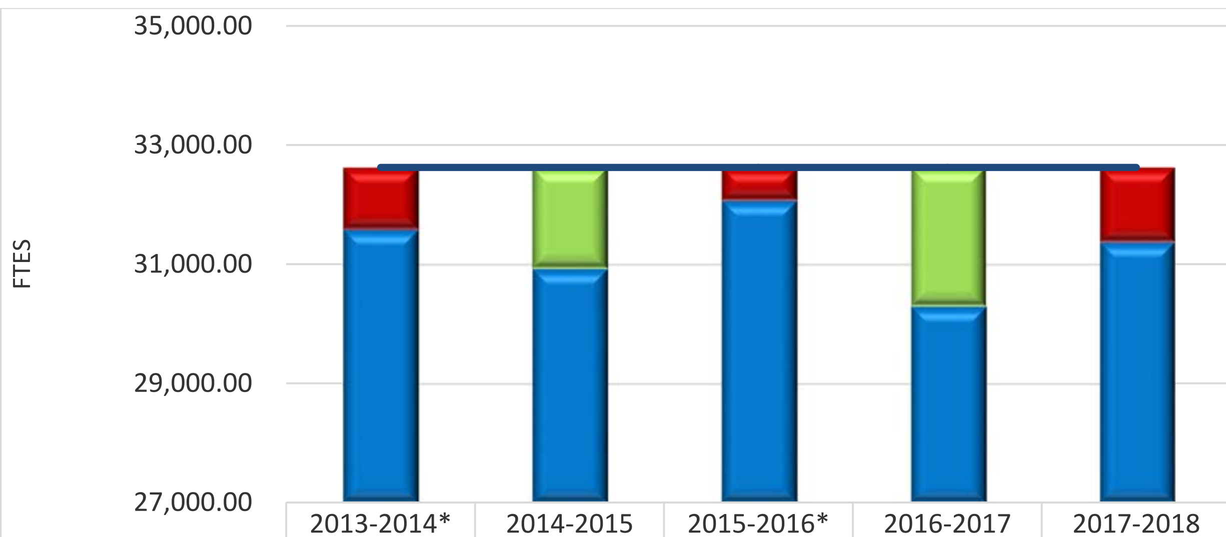
On November 6, 2012, the District voters approved and authorized the issuance and sale of $698 million principal amount of Measure M general obligation bonds of the District. Total Measure M expenditures for the 2017-18 FY are $83.9 million. Because of the magnitude of the proposed 2017D & E issuances, early in calendar year 2017, the District sought a bond rating review from Moody's and Standard & Poor's (S&P). Currently, Moody's has placed Coast at an "Aa1" rating reflecting the District's very large and growing coastal California tax base that is among the largest of Moody's-rated community college districts. The rating also includes the district's strong financial position that benefits from healthy liquidity available outside of General Fund operations. S&P Global Ratings raised its long-term rating and underlying rating (SPUR) to 'AA+' from 'AA." This action reflected the district's strong local economy situated in Orange County, the district's very strong general fund reserves, the flexibility of community college districts in general to manage their enrollment and programs in response to funding levels, and the district's low to moderate debt burden.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2018

The 2017-18 FY Adopted budget was based on the revenue associated with serving 32,623 resident Full-Time Equivalent Students (FTES). To make base in the 2016-17 FY, Coast entered Stabilization, meaning the District was held fiscally harmless for a decline in FTES for that year. While this allowed Coast to receive the revenue associated with 32,623 base FTES, while only earning 30,292.33 FTES, Coast must report at least base FTES at the close of the 2017-18 FY to avoid eroding base revenue. Enrollment estimates at P-1 in January, while showing some improvement from prior year, nonetheless suggested the need to borrow approximately 450 FTES to make base. Enrollment as reflected in the annual 320 Enrollment Report demonstrated continuing softening and the need to borrow 1,255 FTES to make base at the close of the 2017-18 FY.

Annual Enrollment
Full-Time Equivalent Students (FTES)



	2013-2014*	2014-2015	2015-2016*	2016-2017	2017-2018
Borrowed FTES	1,039.40		554.64		1,250.27
Stabilized FTES		1,699.73		2,331.45	
Reported FTES	31,583.04	30,924.07	32,068.39	30,292.35	31,373.53
Funded FTES	32,622.44	32,623.80	32,623.80	32,623.80	32,623.80
Unfunded FTES					

*Borrowed from the summer term to make base FTES

Statement of Net Position

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2018

	(in thousands) 2018	2017	Change
ASSETS			
Current assets			
Cash and cash equivalents	$ 120,042	$ 110,840	8%
Investments	60,185	43,638	38%
Account receivables	18,117	19,968	-9%
Notes receivable - current portion	750	750	0%
Due from fiduciary funds	1,042	-	N/A
Inventories	73	59	24%
Prepaid expenses	22	39	-44%
Total current assets	200,231	175,294	14%
Non-current assets			
Restricted cash and cash equivalents	314,319	416,823	-25%
Restricted student loans receivable, net	2,829	2,654	7%
Notes receivable	11,438	12,188	-6%
Capital assets, net of depreciation	577,923	512,117	13%
Total non-current assets	906,509	943,782	-4%
TOTAL ASSETS	1,106,740	1,119,076	-1%
DEFERRED OUTFLOW OF RESOURCES			
Deferred charge on refunding	24,611	26,623	-8%
Deferred outflows - pension	74,794	51,304	46%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	99,405	77,927	28%
LIABILITIES			
Current liabilities	105,930	82,573	28%
Non-current liabilities	1,161,784	1,149,937	1%
TOTAL LIABILITIES	1,267,714	1,232,510	3%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	13,897	12,282	13%
Deferred inflows - pension	306	-	N/A
TOTAL DEFERRED OUTFLOWS OF RESOURCES	14,203	12,282	16%
NET POSITION			
Invested in capital assets, net of related debt	80,207	46,243	73%
Restricted	73,401	45,675	61%
Unrestricted	(229,380)	(139,707)	64%
TOTAL NET POSITION	$ (75,772)	$ (47,789)	-59%

- Current and restricted cash and cash equivalents consist mainly of cash held in the county treasury ($408 million) and ancillary funds maintained at local banks. Cash decreased from the prior year primarily due to payments of debt obligations and payments of expenditures incurred for construction projects. At June 30, 2018, the building fund had a cash balance of approximately $232.4 million.

- Investments increased primarily to the investment of the General Obligation Series E endowment funds.

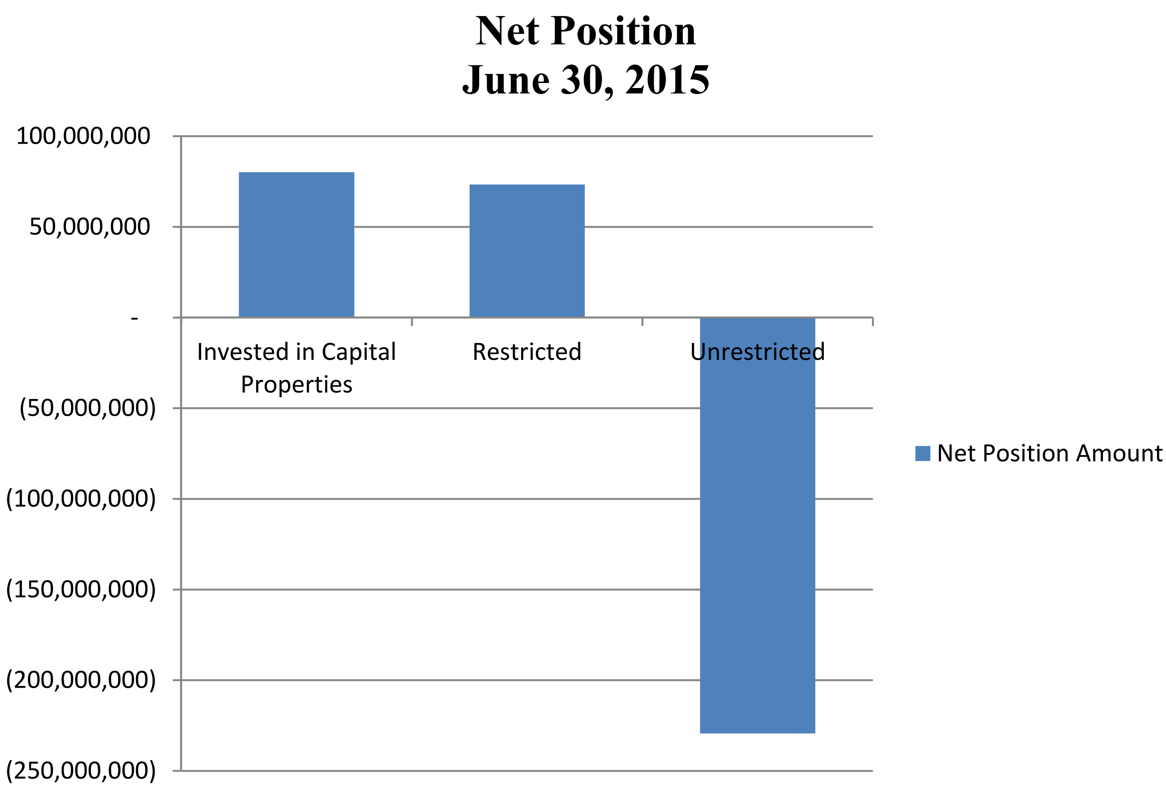
- Accounts Receivable decreased due to receipts of $1.3 million related to apportionment which the District recorded an accounts payable in FY 2017-18.

- The total liabilities showed an increase of 3%. This is due to the increase accounts payable for construction projects, accrued payroll and compensated absences, and pension liabilities.

- Governmental Accounting Standards Board (GASB) statements 67 and 68 established a definition of a pension plan that reflects the primary activities associated with the pension arrangement, determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members. The District's outstanding pension liability for both STRS and PERS is $242.1 million as of FY 2017-18.

- Net position showed it decreased by 59% from the prior year. Total operating expenses increased by $31.7 million, or 9%, while total operating revenues increased by $2.7 million or 2%.

- The Total OPEB Liability (TOL) increased from $103.1 million at the close of the 2016-17 FY, to $107.4 million at the close of the 2017-18 FY. This change was driven largely by current service cost of $4.9 million based on the covered payroll. The District has set aside funds to cover retiree health liabilities in a GASB 75 qualifying trust. The Fiduciary Net Position of this trust at June 30, 2018 is $76.1 million leaving a Net OPEB Liability (NOL) of $31.3 million.



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 non-operating revenues and expenses. State general apportionment, while budgeted for operations, is considered non-operating revenues by generally accepted accounting principles.

- Revenue from grants and contracts is composed of federal grants ($49 million), state grants ($45.1 million), and local contracts ($28.5 million). The decrease in federal funding is due mainly to the decrease in federal financial aid provided for students and is also reflected in the decreased financial aid operating expenses. The increase in state revenue is primarily due to increased allocations in various student success and support programs.

- The annual 320 enrollment report for 2017-18 reflected 32,625.80 resident Full Time Equivalent Students (FTES) base. Enrollment continues to soften making it necessary to borrow 1,255 FTES to make base for 2017-18. The District has continued its efforts geared toward maximizing enrollment and service to students and the community.

- Depreciation expenses decreased due to fewer completed construction projects in the current year.

- Salaries and benefits expenses increased $7.1 million or 13% due mainly to implementation of the classification and compensation study, and the increasing pension and health benefit cost.

- Robust property tax receipt, along with the EPA funding, has resulted in a smaller proportion of state apportionment in our total computational apportionment revenue. SB 361 states that for each district the State shall subtract from the computed revenue apportionment a district's local property tax revenue and 98% of the enrollment fees collected by the district.

MANAGEMENT'S DISCUSSION AND ANALYSIS

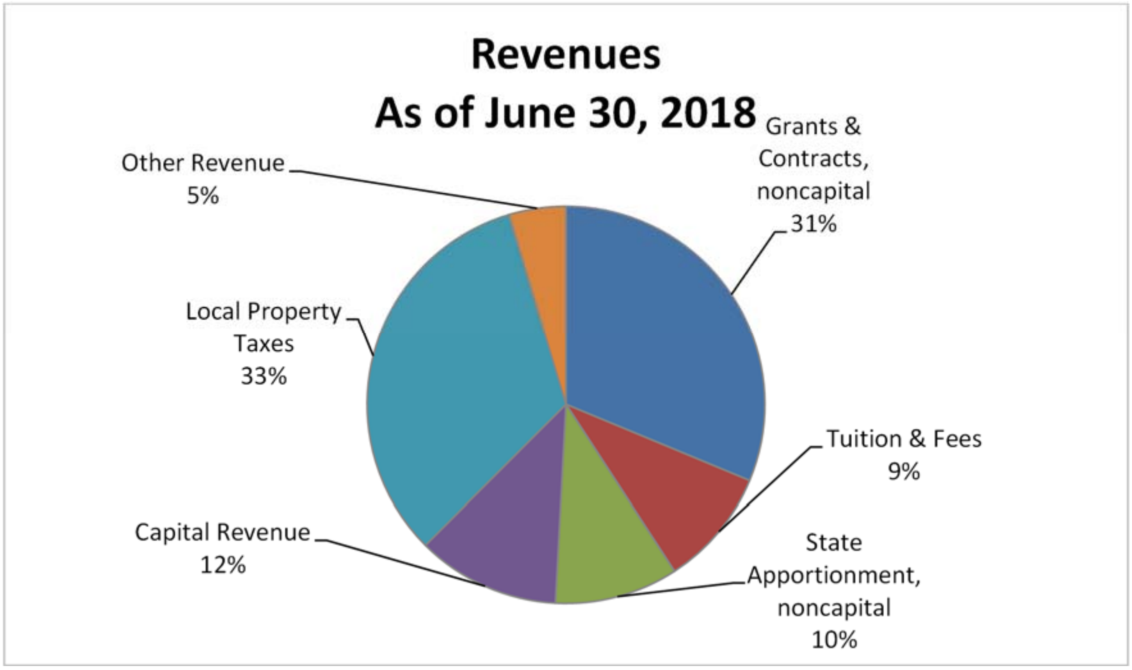
Fiscal Year Ending June 30, 2018

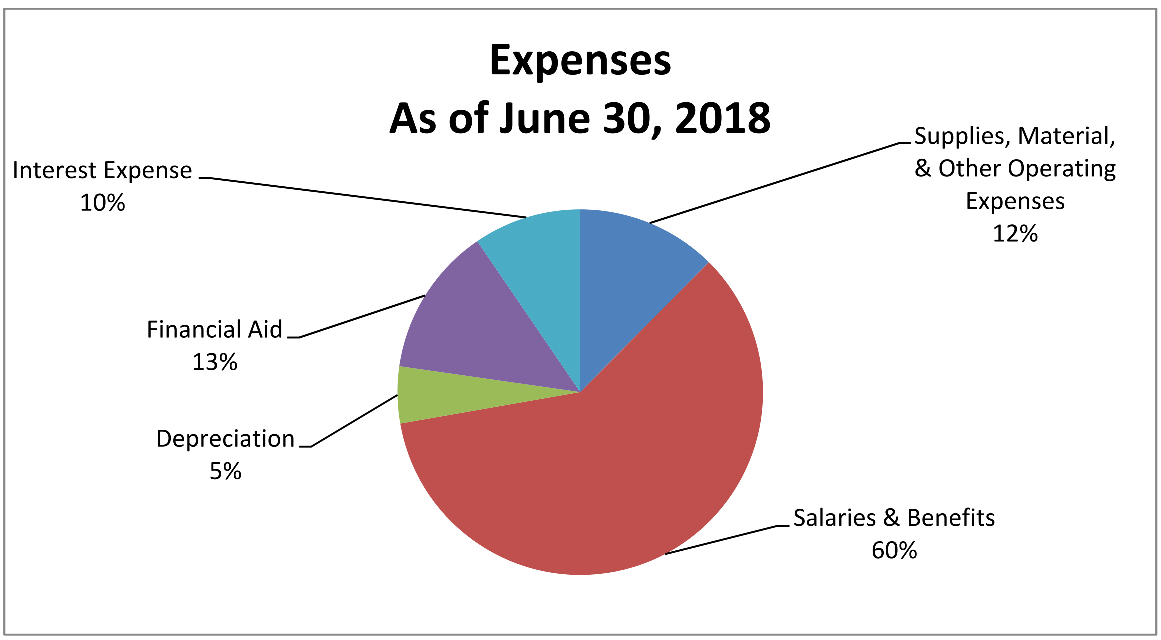
	(in thousands)		
	2018	**2017**	**Change**
Operating Revenues			
Net tuition and fees	$ 37,510	$ 38,262	-2%
Grants and contracts, non-capital	122,925	119,240	3%
Auxiliary sales and charges	3,292	3,527	-7%
Total operating revenues	163,727	161,029	2%
Operating Expenses			
Salaries and benefits	251,932	223,535	13%
Supplies, materials and other operating expenses and services	48,314	41,278	17%
Financial aid	53,021	56,592	-6%
Utilities	3,980	3,572	11%
Depreciation	21,168	21,745	-3%
Total operating expenses	378,415	346,722	9%
Operating loss	(214,688)	(185,693)	16%
Non-operating revenues (expenses)			
State apportionments, non-capital	39,472	40,108	-2%
Local property taxes	129,195	120,884	7%
State taxes and other revenues	9,644	11,281	-15%
Investment income, non-capital	1,209	619	95%
Perkins loan program liquidation	(2,589)	-	N/A
Interest expense	(40,116)	(13,093)	206%
Total non-operating revenues (expenses)	136,815	159,799	-14%
Other revenues, expenses, gains or losses			
Local property taxes and revenues, capital	44,210	40,648	9%
State apportionments, capital	1,572	1,229	0%
Investment income, capital	4,108	3,024	36%
Total other revenues, expenses, gains or losses	49,890	44,901	11%
Change in net position	(27,983)	19,007	-247%
Net position, beginning of year	(47,789)	(14,994)	219%
Cumulative effect of change in accounting principles	-	(51,802)	100%
Net position, end of year	$ (75,772)	$ (47,789)	-59%

- Net tuition and fees consists of enrollment fees $37.6 million, non-resident tuition $15.1 million, and other fees $6.8 million less scholarships, discounts and allowances $21.9 million. Regular enrollment fees $46 per unit are set by the State for all community colleges reflecting no change from the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2018





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) 2018	2017	Change
Cash Provided By (Used in)			
Operating activities	$ (171,778)	$ (167,623)	-2%
Noncapital financing activities	179,037	174,605	3%
Capital and related financing activities	(101,643)	273,643	137%
Investing activities	1,082	(1,881)	-158%
Net change in cash and cash equivalents	(93,302)	278,744	-133%
Cash balance, beginning of year	527,663	248,919	112%
Cash balance, end of year	$ 434,361	$ 527,663	-18%

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

The overall cash balance has decreased from prior year as a result of a modest COLA, the second year of implementation of the classified and compensation study and increased pension costs.

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, 2018, the District had over $577.9 million invested in net capital assets. Total capital assets of $907.1 million consist of land, buildings and building improvements, vehicles, data processing equipment and other office equipment; these assets have accumulated depreciation of $329.2 million. New additions for construction and equipment of $84.3 million occurred during 2017-18, and depreciation expense of $14.2 million was recorded for the fiscal year. Construction in progress of $21.1 million was completed and placed into service as buildings and site improvements. Note 5 to the financial statements provides additional information on capital assets. A summary of capital assets net of depreciation is presented below.

	Balance June 30, 2018
Land	$ 24,141,969
Buildings and site improvements	691,534,865
Equipment	46,649,168
Construction in progress	144,853,810
Totals at historical cost	907,179,812
Less accumulated depreciation for:	
Buildings and site improvements	(294,305,494)
Equipment	(34,951,588)
Total accumulated depreciation	(329,257,082)
Governmental capital assets, net	$ 577,922,730

Debt

At June 30, 2018, the District had $902.8 million in debt for the General Obligation bonds. The payments for general obligation bond debt are funded trhough property tax assessments. Notes 6 and 10 to the financial statement provide additional information on long-term liabilities.

Economic Factors That May Affect the Future

State Ecomony

On January 10, 2018, Governor Jerry Brown released his proposal for the 2018-19 State Budget, his last State Budget. The content of this proposal speaks to his expectation for significant changes in both the delivery and the state's financial support of education with increased attention to student outcomes.

The two most notable elements in the Governor's proposal were, first, a new fully online community college targeting working Californians with no degree or credential and, second, a new outcomes-focused funding formula. The Governor has voiced displeasure with the enrollment-only formula that the system has been operating under since 2006. The current model (SB 361) is believed to fail to capture the comprehensive mission of CCCs and the counter-cyclical nature of college enrollment.

Major new expenses reflected a health benefit increase of $242 thousand, Classification/compensation Study Cost of $1.1 million, on-schedule salary increases of $5.2 million, net Step/column cost of $400 thousand, and pension increases of $3.4 million. Total new expenses are estimated at $10.5 million

The District carried forward a structural budget imbalance from the 2017-18 FY of $4.5 million. When new on-going revenues are netted against new estimated expenses, Coast was able to resolve its structural budget imbalance.

On June 27, 2018, as expected, Governor Jerry Brown signed the $139 billion General Fund 2018-19 State Budget that the Legislature passed and sent to him on June 14, 2018. The State Budget includes a total investment in Proposition 98 of $78.4 billion, an increase of $2.8 billion over last year's Budget. Some of the new features of the California Community College (CCC) budget include $120 million ($20 million ongoing) to create an online community college and a new CCC funding formula that would be phased in over three years. The new funding formula includes a three-year hold harmless provision that guarantees all colleges receive at least a cost-of-living increase for three years. The Budget also fully funds the Rainy Day Fund, eliminates all outstanding maintenance factors in 2017-18, and implements the Governor's May Revision proposal to create a new Proposition 98 certification process.

The 2018-19 FY CCCD Budget

- Estimated State Revenue reflected a 2.71% COLA, no growth and a $146 per FTES Unrestricted Lottery Revenue allocation. Available Statewide Growth/Access funding is identified at 1.0% but the District does not budget these funds until the year following the one in which they were earned.

- With respect to Categorical funds, of note is the consolidation of the Student Success and Support Program, Student Equity Plan, and Basic Skills into the Student Equity and Achievement Program (SEA). The intent is to move greater autonomy to the district level to further support the SCFF. The District's estimated Categorical Program funding across all federal, state, and local sources for the 2018-19 FY is projected to be $55.2 million.

- For the 2018-19 FY, following Board Policy 6200, the Adopted Budget reflects a General Reserve of 5% and a Reserve for Contingency of 5%, for a total of $22.1 million, or 10% of the prior year unrestricted general fund expense.
- Salaries and benefits continue to comprise the largest portion of the District's expenses. Historically, Coast's budgeting norms do not include estimates of part-time faculty, over-load, or short-term employees. For the year ending June 30, 2018, total salaries and benefits as a percentage of the Unrestricted General Fund (UGF), equal to 89%.

- Volatility continues in our Health and welfare benefit programs. The budget for benefits in the 2017-18 FY is $17,520 Per Employee Per Year (PEPY) as compared with prior year actual of $16,985 PEPY.

- The employer contributions for the PERS will increase from 15.53% to 18.06% of payroll, or a 2.53% increase. The STRS employer rate will increase from 14.43% to 16.28% of payroll, or a 1.85% increase. These increases in pension contributions commenced with the fiscal year beginning July 1, 2018. For the current fiscal year, the combined increase of these pension system match requirements are estimated at $3.4million.

Significant Future Events

California continues to rely heavily on the Personal Income Tax (PIT) for education funding creating a significant degree of funding volatility. Further, the current economic recovery is among the longest in the post-war period and history suggests the state is ripe for a downturn. Adding to budgetary uncertainty are events at the federal level.

While we applaud the Governor's implementation of the new Student Centered Funding Formula (SCFF) and its focus on Access, Equity, and Success, we have several concerns about the mechanics of the model. First, the data sets underpinning the SCFF have not historically been subject to audit. While we understand the Contract District Audit Manual will be amended to include this scope of work, until audit data is available, this raises questions about the veracity of the data. Second, four of the eight Success based metrics reflected Special data runs by the California Community Colleges Chancellor's Office (CCCCO) and local districts presently have no way of validating these data sets. Third, there is not an overt cap placed on the Success metrics suggesting that an over-subscription could result in these revenues being "deficited." Lastly, and more broadly, the SB 361 funding Formula was a model of simplicity and made revenue projection a relatively straight-forward process. The SCFF, on the other hand, creates significant avenues for volatility and uncertainty, making revenue projections highly unpredictable.

Not unlike the District's retiree health benefit plan, both the California State Teachers Retirement System (STRS) and the California Public Employee Retirement System (PERS) have significant unfunded liabilities. This phenomenon reflects a mismatch between the pension plan's estimated obligations and its assets. In theory, these plans should be prefunded, meaning regular contributions for each employee are made into the retirement fund during the course of that employee's career. However, because of underfunding in prior years, employer costs for retirement benefits for both STRS and PERS are projected to nearly double over the next several years. Projections for Coast is at an additional $18.0 million in on-going costs by 2020-21 FY.

The most recent actuarial study was completed for OPEB liability as of June 30, 2018. The net OPEB liability has increased from $103 million in the 2016-17 FY to $107 million in the 2017-18 FY. The District has budgeted sufficient funds to meet the actuarially determined contribution for fiscal year 2017-18.

The Governmental Accounting Standards Board (GASB). Statement No. 67, Financial Reporting for Pension Plans and Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of Statement No. 27, establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members. Districts' financial reports must begin to show the full effect of pension liabilities. The PERS program involves an employer and an employee contribution. In contrast, the STRS program includes both an employer and an employee contribution, along with a state contribution. In practice, most Local Education Agencies (LEA's) did not recognize the states "on-behalf" contributions to CalSTRS, primarily based on 1996 guidance from the California Department of Education.

More recently, GASB 68 now requires districts to recognize the "on-behalf" contribution by the state by debiting pension contribution expenditures and crediting revenues. For the District, this amount is estimated at $5.5 million.

Looking outside California, we have a federal government that is imposing tariffs and speaking openly about trade wars. Looking beyond the 2018-19 FY, continued tax reform efforts at the federal level are a definite wild card. California's high dependency on affluent taxpayers coupled with the limitation on the deductibility of State and Local Taxes (SALT) is expected to impact large high taxation states the most.

In conclusion, the 2018-19 FY Budget will be the final chapter in Governor Brown's life-long commitment to California.

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, 2018

	Primary Government	Component Units
Assets		
Current assets:		
Cash and cash equivalents	$ 120,042,409	$ 6,758,524
Investments	60,184,919	31,021,920
Accounts receivable, net	18,117,497	141,770
Deferred tax asset	-	84,900
Pledges receivable, net	-	200,104
Beneficial interest in charitable gift annuity	-	7,209
Inventories	72,568	-
Notes receivable- current portion	750,000	-
Due from fiduciary funds	1,042,497	-
Prepaid expenses and other current assets	22,267	76,757
Total Current Assets	200,232,157	38,291,184
Non-Current Assets:		
Restricted cash and cash equivalents	314,318,551	-
Restricted student loans receivable, net	2,829,495	-
Contribution receivable from split-interest agreements	-	438,186
Notes receivable	11,437,500	13,930
Capital assets, net of accumulated depreciation	577,922,730	9,018,575
Total Non-Current Assets	906,508,276	9,470,691
Total Assets	1,106,740,433	47,761,875
Deferred Outflows of Resources		
Deferred charge on refunding	24,610,595	-
Deferred outflows- pension	74,793,797	-
Total Deferred Outflows of Resources	99,404,392	-
Total Assets and Deferred Outflows of Resources	$ 1,206,144,825	$ 47,761,875

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
June 30, 2018

	Primary Government	Component Units
Liabilities		
Current Liabilities:		
Accounts payable	$ 18,062,130	$ 694,356
Accrued liabilities	27,640,412	-
Unearned revenue	30,837,028	629,950
Amounts held in trust	250,156	-
Long-term liabilities-current portion	29,140,231	-
Current Liabilities	105,929,957	1,324,306
Non-Current Liabilities		
Compensated absences	7,477,531	-
Notes payable	2,950,000	-
Postemployment healthcare liabilities	31,277,883	-
Net pension liabilities	242,170,692	-
General obligation bonds payable	875,554,119	-
Other non-current liabilities	2,353,457	-
Non-Current Liabilities	1,161,783,682	-
Total Liabilities	1,267,713,639	1,324,306
Deferred Inflows of Resources		
Deferred inflows- pension	13,896,976	-
Deferred inflows- postemployment healthcare	305,769	-
Total Deferred Inflows of Resources	14,202,745	-
Net Position		
Net investment in capital assets	80,207,374	-
Permanently restricted	-	7,678,959
Temporarily restricted	-	35,507,122
Restricted for:		
Capital projects	28,982,321	-
Debt service	43,886,016	-
Scholarship and loans	532,848	-
Unrestricted	(229,380,118)	2,606,248
Common stock	-	158
Retained earnings	-	645,082
Total Net Position	(75,771,559)	46,437,569
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 1,206,144,825	$ 47,761,875

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2018

	Primary Government	Component Units
Operating Revenues		
Tuition and fees (gross)	$ 59,484,397	$ -
Less: Scholarship discounts and allowances	(21,974,820)	-
Net tuition and fees	37,509,577	-
Grants and contracts, non-capital:		
Federal	49,184,384	-
State	45,183,711	-
Local	28,557,133	20,699,432
Sales, net of purchases	3,292,351	-
Total Operating Revenues	163,727,156	20,699,432
Operating Expenses		
Salaries	165,533,032	1,696,002
Employee benefits	86,399,673	470,640
Supplies, materials, and other operating expenses and services	48,313,561	12,852,932
Financial aid	53,021,232	-
Utilities	3,980,389	-
Depreciation	21,167,716	2,339,106
Total Operating Expenses	378,415,603	17,358,680
Operating Income (Loss)	(214,688,447)	3,340,752
Non-Operating Revenues (Expenses)		
State apportionments, non-capital	39,472,022	-
Local property taxes	129,195,223	-
States taxes and other revenue	9,643,943	(900)
Interest and investment income, non-capital	1,209,284	1,693,428
Perkins loan program liquidation	(2,589,103)	-
Interest expense	(40,116,183)	-
Total Non-Operating Revenues (Expenses)	136,815,186	1,692,528
(Loss) Income/Gain Before Other Revenues, Expenses, Gains and Losses	(77,873,261)	5,033,280
Other Revenues, Expenses, Gains and Losses		
Local property taxes and revenues, capital	44,210,273	-
State apportionments, capital	1,572,111	-
Interest and investment income, capital	4,107,908	-
Total Other Revenues, Expenses, Gains and Losses	49,890,292	-
Changes in Net Position	(27,982,969)	5,033,280
Net Position, Beginning of Year	(47,788,590)	41,404,289
Net Position, End of Year	$ (75,771,559)	$ 46,437,569

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

	Primary Government	Component Units
Cash Flows From Operating Activities		
Tuition and fees	$ 41,900,131	$ -
Federal grants and contracts	50,817,098	-
State grants and contracts	47,099,297	-
Local grants and contracts	27,963,075	-
Sales	3,595,094	-
Auxiliary enterprise sales and charges	-	6,118,180
Administrative fees and interest	-	1,419,032
Donations	-	7,295,354
Payments to suppliers	(51,479,965)	(11,291,968)
Payments to/on-behalf of employees	(238,251,474)	(90,458)
Payments to/on-behalf of students	(53,206,591)	(1,393,077)
Other (payments) receipts	(214,577)	-
Net cash provided (used) by operating activities	(171,777,912)	2,057,063
Cash Flows From Non-Capital Financing Activities		
State apportionments and receipts	39,631,116	-
Property taxes	129,195,223	-
State tax and other revenues	9,460,614	-
Principal collections on notes receivable	750,000	-
Net cash provided (used) by non-capital financing activities	179,036,953	-
Cash Flows From Capital and Related Financing Activities		
Interest on capital investments	3,753,199	-
Property taxes for capital purposes	44,210,273	-
Local revenue, grants and gifts for capital purposes	1,572,111	-
Net purchase and sale of capital assets	(82,256,359)	191,864
Purchase of investments	(16,546,911)	-
Principal paid on long-term debt	(24,926,481)	-
Interest paid on long-term debt	(27,449,121)	-
Net cash provided (used) by capital and financing activities	(101,643,289)	191,864
Cash Flows from Investing Activities		
Purchase of investments	-	(2,284,592)
Interest on investments	1,082,063	947,327
Net cash provided (used) by investing activities	1,082,063	(1,337,265)
Net Change in Cash and Cash Equivalents	(93,302,185)	911,662
Cash Balance - Beginning of Year	527,663,145	5,846,862
Cash Balance - End of Year	$ 434,360,960	$ 6,758,524

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

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

	Primary Government	Component units
Operating income (loss)	$ (214,688,447)	$ 3,340,752
Net non-cash contributions	-	(2,325,118)
Realized and unrealized gains on investments, net	-	(1,695,998)
Gain on sale of fixed asset	-	306,658
Change in value of split-interest agreement	-	(41,642)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	21,167,716	2,339,106
Changes in assets and liabilities:		
Receivables, net	2,156,767	(64,136)
Pledge receivable	-	71,446
Contribution receivable from split-interest agreements	-	41,175
Notes receivable	-	26,851
Inventory	(12,765)	-
Prepaid expenses and other current assets	17,104	60,368
Deferred outflows- pension	(23,490,243)	-
Accounts payable and accrued liabilities	1,419,015	103,646
Unearned revenue	5,325,756	(106,045)
Compensated absences	2,175,421	-
Amounts held in trust for others	17,851	-
Estimated liability for open claims and IBNR's	67,523	-
Deferred inflows of pension plan investments	1,614,934	-
Deferred inflows of postemployment healthcare benefits	305,769	-
Net postemployment healthcare liability	(271,680)	-
Medicare premium payment liability	870,865	-
Net pension liability	31,546,502	-
Net cash provided (used) by operating activities	$ (171,777,912)	$ 2,057,063

Noncash transaction: Capital purchase with $3,610,000 loan.

Breakdown of ending cash balance:	
Cash and cash equivalents	$ 120,042,409
Restricted cash and cash equivalents	314,318,551
Total	$ 434,360,960

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	Ancillary Funds	Associated Student Body Funds
Assets		
Cash and cash equivalents	$ 4,996,952	$ 12,155,353
Accounts receivable:		
Miscellaneous	239,786	286,167
Other current assets	20,000	105,000
Total Assets	5,256,738	12,546,520
Deferred Outflows of Resources		
Deferred outflows - pension	-	699,079
Total Deferred Outflows of Resources	-	699,079
Total Assets and Deferred Outflows of Resources	$ 5,256,738	$ 13,245,599
Liabilities		
Current Liabilities		
Accounts payable	$ 148,808	$ 299,598
Due to governmental funds	-	1,042,497
Funds held in trust	5,107,930	3,819,363
Total Current Liabilities	5,256,738	5,161,458
Non-Current Liabilities		
Net pension liability	-	2,235,644
Total Non-Current Liabilities	-	2,235,644
Total Liabilities	5,256,738	7,397,102
Deferred Inflows of Resources		
Deferred inflows - pension costs	-	97,858
Total Deferred Inflows of Resources	-	97,858
Net Position		
Unrestricted	-	5,750,639
Total Net Position	-	5,750,639
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 5,256,738	$ 13,245,599

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2018

	Associated Student Body Funds
Additions	
Sales, net of purchases	$ 1,150,475
Interest and investment income	1,256
Student representation fee	1,856,009
Other local revenues	387,169
Total Additions	3,394,909
Deductions	
Classified salaries	753,189
Employee benefits	451,499
Services and other operating expenses	3,624,701
Capital outlay	37,478
Total Deductions	4,866,867
Change in net position	(1,471,958)
Net Position, Beginning of Year	7,222,597
Net Position- End of Year	$ 5,750,639

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF OTHER POSTEMPLOYMENT BENEFITS PLAN NET POSITION
June 30, 2018

	Retiree (OPEB) Trust
Assets	
Investments	$ 76,131,854
Total Assets	$ 76,131,854
Net Position Held in Trust for Other Postemployment Benefits	$ 76,131,854

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN OTHER POSTEMPLOYMENT BENEFITS PLAN NET POSITION
For the Fiscal Year Ended June 30, 2018

	Retiree (OPEB) Trust
Additions	
Employer contributions	$ 6,794,370
Dividends and interest	4,674,454
Total Additions	11,468,824
Deductions	
Benefit payments	6,794,370
Administrative expenses	159,926
Total Deductions	6,954,296
Net changes in net position	4,514,528
Net Position Held in Trust for Other Postemployment Benefits, Beginning of Year	71,617,326
Net Position Held in Trust for Other Postemployment Benefits, End of Year	$ 76,131,854

See accompanying notes to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District considered its financial and operational relationships with potential component units under the reporting entity definition of the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

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

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

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

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

Coast Community College District Foundation, Coastline College Foundation, Golden West College Foundation, Orange Coast College Foundation and Coast Community College District Enterprise Corporation: Each Foundation is a separate not-for-profit corporation formed to promote and assist the educational programs of the District. The Enterprise Corporation is a separate for-profit corporation and operates the swap meet at Golden West and Orange Coast Colleges. The Board of Directors are elected independent of any District's Board Trustee's appointments. The Board of Directors are responsible for approving

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

their own budgets and accounting and finance related activities; however, the District's governing board has fiscal responsibility over each Foundation and the Enterprise Corporation. The financial activities of the Foundations and the Enterprise Corporation have been discretely presented. Their separate financial statements may be obtained through the District.

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

Pension Stabilization Trust (the PST): The PST was established to help California public entities stabilize the funding of their pension benefit liabilities be creating a secure vehicle to hold assets pending their contribution to a pension plan in satisfaction of their funding obligation. The PST is an irrevocable governmental trust intended to qualify as a trust arrangement that is tax exempt under applicable guidance and procedures under Section 115 of the Internal Revenue Code. The PST is administered by Benefit Trust Company as directed by the Board of Authority; the District appoints one member. The District is the sole beneficiary of the PST; the fund does not meet the definition of a fiduciary activity, thus, it is reported as a blended component unit. Separate financial statements are not prepared.

Financial Statement Presentation

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

Basis of Accounting

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

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

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents, are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Accounts Receivables

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

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

Inventories

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

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

Restricted Cash and Cash Equivalents

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

Restricted Student Loans Receivable, Net

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital Assets

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

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

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

Deferred Outflows of Resources

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

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

Deferred Outflows – Pension: The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans and the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Note 12 to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Payable and Accrued Liabilities

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

Unearned Revenue

Cash received for Federal and state special projects, and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures. Unearned revenue also includes summer enrollment fees received but not earned.

Compensated Absences

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

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

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

Perkins Loan Program Liability and Termination

The District administers Title IV Perkins Loans for the benefit of its students. Funds for the Perkins program were initially received through Federal Capital Contributions (FCC) from the US Department of Education (ED) and were supplemented with Institutional Capital Contributions (ICC). Over the years, the proportion of federal to institutional matching funds has varied, from a 90/10 split to a 75/25 split. Fiscal year 2017-2018 was the last year in which new Perkins loans were allowed to be disbursed as Congress did not renew the program. Districts have been given the option of assigning existing Perkins loans back to the federal government or continuing to collect on these loans while returning the FCC portion as loans are repaid. The District has elected to continue to collect on Perkins loans and return the FCC portion as it is collected. Historically, the balance of the Perkins loan was reported in student loans receivable and in restricted net position. Due to the impending termination of the program and the District being required to return the FCC in future years, a liability has been established for the amount

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

of the remaining FCC due to the ED. A portion of the liability is reported as a current liability with the balance shown as a noncurrent long-term liability.

Medicare Premium Payment Liability

For purposes of measuring the District's liability related to the Medicare Premium Payment (MPP) Program, the fiduciary net position of the MPP Program and additions to/deductions from the MPP Program fiduciary net position have been determined on the same basis as they are reported by the MPP Program. There are no deferred outflows of resources or deferred inflows of resources related to the MPP Program or for MPP Program expenses. For this purpose, the MPP Program recognizes benefit payments when due and payable in accordance with the benefit terms. The MPP Program reports its investments at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The related liability for the District's proportionate share of the MPP Program is reported in the financial statements; as the plan is not material additional disclosures are not included.

Net Pension Liability

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position by the District that is applicable to a future reporting period.

The deferred inflows of resources – pension: resulted from the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Note 12 to the financial statements.

Deferred inflows of resources– postemployment healthcare: resulted from the effect of changes in proportion of cost sharing plans, changes in assumptions, and the difference between expected and actual experience. See Note 11 to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Position

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

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

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

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

State Apportionments

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

Any prior year corrections due to the recalculation in February of 2019 will be recorded in the year computed by the State.

Property Taxes

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

because it is not material. Property taxes for debt service purposes cannot be estimated and have therefore not been accrued in the basic financial statements.

Classification of Revenues

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

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

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

Scholarship Discounts and Allowances

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

Estimates

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

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2018, $42,494,123 of the District's bank balance of $42,744,123 was exposed to credit risk as uninsured and collateral held by pledging bank's trust department not in the District's name.

Cash in County

In accordance with *The Budget and Accounting Manual*, the District maintains substantially all of its cash in the Orange County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are carried at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2018 is measured at 99.58% of amortized cost. The District's investments in the fund are considered to be highly liquid and reflected in the financial statements as cash and cash equivalents in the statement of net position.

The County is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635 and 53648. The county is restricted to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

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

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

NOTE 2: DEPOSITS AND INVESTMENTS

Investments

Policies

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

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

The District did not violate any provisions of the California Government Code or District Board policy during the year ended June 30, 2018.

Investments and investments with fiscal agent at June 30, 2018 are presented herein:

		Maturities (in Years)			
Investments	Fair Value	Less Than 1	1 to 5	6 to 10	More than 10
U.S. Treasury Bonds	$ 31,104,785	$ -	$ 7,309,242	$ 8,254,085	$ 15,541,458
Federal Agency Bonds	9,619,760	-	-	2,706,319	6,913,441
Corporate Bonds	4,066,526	-	4,066,526	-	-
Commercial Paper	1,148,923	1,148,923	-	-	-
U.S. Government Sponsored Enterprise	14,244,925	167,135	-	1,997,580	12,080,210
Total	$ 60,184,919	$ 1,316,058	$ 11,375,768	$ 12,957,984	$ 34,535,109

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investment fair value measurements at June 30, 2018 are presented herein:

NOTE 2: DEPOSITS AND INVESTMENTS

Investments	Fair Value	Standard & Poor's Rating	Level 1 Inputs	Level 2 Inputs
U.S. Treasury Bonds	$ 31,104,785	AA+	$ 31,104,785	$ -
Federal Agency Bonds	9,619,760	AA+	9,619,760	-
Corporate Bonds	4,066,526	AA+	4,066,526	-
Commercial Paper	1,148,923	A-1	1,148,923	-
U.S. Government Sponsored Enterprise	14,244,925	AAAm	-	14,244,925
Total	$ 60,184,919		$ 45,939,994	$ 14,244,925

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Board Policy 6320 Investments includes as the primary objectives 1) Safety: Preservation of principal is the foremost objective of the District; 2) Liquidity: The District's portfolio will remain sufficiently liquid to enable the District to meet its liquidity needs, and 3) Yield: The District's portfolio will be designed to obtain a market rate of return through economic cycles consistent with the constraints imposed by its safety objective and cash flow considerations. Board Policy 6320 does not specify limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, the District has operated within parameters of the "Permitted Investments" as specified in the Measure M 2013 and 2016 Official Statements and the Board Resolution No. 13.06 authorizing the election. These parameters set up the outer boundaries of what the bond proceeds can be invested in. The District has since developed an investment strategy for those proceeds. Information about the exposure of the District's investments to this risk is provided above. Effective January 1, 2017, AB2738 prohibits the proceeds from the sale of bonds from being withdrawn for investment outside the county treasury. Therefore, the proceeds of the 2017E Series are managed by the Office of the Orange County Treasurer (Treasurer). These deposits may only be invested in U.S. Treasury Securities or U.S. Government-Sponsored Agencies (GSE) in a laddered portfolio to a period not to extend past 2036.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District has operated within parameters of the "Permitted Investments" as specified in the Measure M 2013 and 2016 Official Statements and the Board Resolution No. 13.06 authorizing the election. These parameters set up the outer boundaries of what the bond proceeds can be invested in. The District has since developed an investment strategy for those proceeds. Information about the exposure of the District's investments to this risk is provided herein.

NOTE 2: DEPOSITS AND INVESTMENTS

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.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018 consists of the following:

Accounts Receivable	June 30, 2018
Federal and state	$ 3,088,886
Tuition and fees	10,755,550
Student loans receivable, net	2,829,495
Miscellaneous	4,273,061
Total accounts receivable	$ 20,946,992

NOTE 4: NOTE RECEIVABLE

The District entered into a note receivable in the amount of $20,000,000 for the sale of KOCE and the KOCE-TV operating license on March 17, 2004. The payments are to be made to the District over 26 years. The District received $750,000 during this fiscal year and is expecting to receive $750,000 in the next fiscal year. The balance of the notes receivable as of June 30, 2018, is $12,187,500.

NOTE 5: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

A summary of changes in capital assets for the year ended June 30, 2018 is shown herein.

	Balance July 1, 2017	Additions and Transfers	Retirements and Transfers	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 24,141,969	$ -	$ -	$ 24,141,969
Construction in progress	74,807,149	84,307,885	(14,261,224)	144,853,810
Total capital assets not being depreciated	98,949,118	84,307,885	(14,261,224)	168,995,779
Capital assets being depreciated:				
Buildings and improvements	677,747,797	13,787,068	-	691,534,865
Equipment and vehicles	46,659,314	3,139,455	(3,149,601)	46,649,168
Total capital assets being depreciated	724,407,111	16,926,523	(3,149,601)	738,184,033
Less accumulated depreciation for:				
Buildings and improvements	(276,032,252)	(18,273,242)	-	(294,305,494)
Equipment and vehicles	(35,206,715)	(2,894,474)	3,149,601	(34,951,588)
Total accumulated depreciation	(311,238,967)	(21,167,716)	3,149,601	(329,257,082)
Depreciable assets, net	413,168,144	(4,241,193)	-	408,926,951
Governmental activities capital assets, net	$ 512,117,262	$ 80,066,692	$ (14,261,224)	$ 577,922,730

In 2017-18, the district implemented GASB No. 89 which requires interest cost incurred before the end of the construction period to be recognized as an expense in the period in which the cost is incurred. Therefore, there is no capitalized interest for the year ended June 30, 2018.

NOTE 6: LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2018 is shown herein.

NOTE 6: LONG-TERM DEBT – SCHEDULE OF CHANGES

Governmental	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amount Due in One Year
Capital leases	$ 91,481	$ -	$ 91,481	$ -	$ -
Compensated absences	6,785,024	2,175,421	-	8,960,445	1,482,914
Note payable	3,610,000	-	325,000	3,285,000	335,000
Perkins loan program liability	-	2,405,774		2,405,774	52,317
General obligation bonds:					
Bonds payable	805,844,504	-	24,510,000	781,334,504	27,270,000
Accreted interest	45,493,579	7,946,761	-	53,440,340	-
Bonds premium	72,477,640	-	4,428,365	68,049,275	-
Total general obligation bonds	923,815,723	7,946,761	28,938,365	902,824,119	27,270,000
Postemployment healthcare liability	31,549,563	-	271,680	31,277,883	-
Medicare premium payment liability	-	870,865	-	870,865	-
Net pension liability	209,753,325	31,546,502	-	241,299,827	-
Total	$1,175,605,116	$ 42,539,549	29,029,846	$1,190,923,913	$29,140,231

Fiduciary	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amount Due in One Year
Net pension liability	$ 1,913,441	$ 322,203	$ -	$ 2,235,644	$ -
Total	$ 1,913,441	$ 322,203	$ -	$ 2,235,644	$ -

Liabilities for compensated absences, postemployment healthcare liability, medicare premium payment liability, and the net pension liability are liquidated by the governmental funds in which related salaries and benefits are recorded. Note payable is liquidated by an auxiliary fund and the Perkins loan program liability will be paid by the Student Financial Aid fund. The general obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund.

NOTE 7: LEASES

Capital Leases

The District has entered into a lease agreement to implement an energy conservation photovoltaic power system totaling $1,485,600. The District made the final payment of $91,481 during fiscal year 2017-2018.

NOTE 7: LEASES

Operating Leases

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

Year Ending June 30,	Lease Payment
2019	$ 695,664
2020	516,953
2021	403,109
2022	283,263
2023	83,524
Total	$ 1,982,513

Current year expenditures for operating leases is approximately $909,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

NOTE 8: NOTE PAYABLE

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

Year Ending June 30,	Principal	Interest	Total
2019	$ 335,000	$ 120,094	$ 455,094
2020	350,000	107,437	457,437
2021	360,000	94,219	454,219
2022	375,000	80,531	455,531
2023	385,000	66,375	451,375
2024-2027	1,480,000	113,063	1,593,063
Total	$ 3,285,000	$ 581,719	$ 3,866,719

NOTE 9: PERKINS LOAN PROGRAM LIABILITY

During fiscal year 2017-2018, the District established a liability of $2,405,774 for the Federal Capital Contributions (FCC) received from the US Department of Education (ED) which funded the Perkins loan program. With the close-out of the Perkins loan program, the FCC is due back to the ED. The District has elected to continue to collect on these loans and will return the FCC to the ED as it is collected. See Note 1, Perkins Loan Program Termination for additional information.

NOTE 10: GENERAL OBLIGATION BONDS

Measure C

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

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

Measure M

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

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

The balance of the bonds refunded was $28,645,281 less than the amount paid into the escrow account. This amount is recorded as a deferred charge on the statement of net position and amortized to interest expense over the life of the new debt. Amortization of $2,012,843 was recognized during the year ended June 30, 2018.

On August 31, 2016, the District issued bonds, Series C totaling $30,000,000, to (i) finance an endowment for voter-approved technology upgrades and (ii) to pay the cost of using the bonds.

On March 29, 2017, the District issued bonds, Series D and Series E, totaling $300,000,000. Series D bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of the District sites and facilities, and (ii) pay the costs of issuing the bonds. Series E bonds are being issued to (i) finance voter-approved technology upgrades, and (ii) pay the costs of issuing the Series E bonds.

NOTE 10: GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt of the District at June 30, 2018 is shown herein.

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2018
Measure C:					
2005 Refunding	3/10/2005	8/1/2022	3.00-5.25	$ 74,893,867	$ 2,618,867
Accreted Interest					9,602,517
Series B	6/28/2006	8/1/2030	3.63-5.00	149,859,831	48,859,831
Accreted Interest					39,839,373
Total Measure C				224,753,698	100,920,588
Measure M:					
Series A	5/29/2013	8/1/2038	1.50-5.00	190,000,000	153,295,000
Series B	5/29/2013	8/1/2018	0.45-1.64	10,000,000	2,040,000
Refunding Series A	5/29/2013	8/1/2024	2.00-5.00	80,265,000	74,635,000
Refunding Series B	5/29/2013	8/1/2020	0.35-2.27	35,475,000	19,045,000
2015 Refunding	10/29/2015	8/1/2036	2.00-5.00	162,855,806	161,135,806
Accreted Interest					3,998,450
Series C	8/31/2016	8/1/2023	0.80-1.98	30,000,000	19,705,000
Series D	3/29/2017	8/1/2042	4.00-5.00	280,000,000	280,000,000
Series E	3/29/2017	8/1/2019	1.43-1.69	20,000,000	20,000,000
Total Measure M				808,595,806	733,854,256
Total				$ 1,033,349,504	$ 834,774,844

Payments-Measure C

The annual requirements to amortize Measure C bonds payable, outstanding as of June 30, 2018, are as shown herein.

2005 Refunding Bonds

Year Ending June 30,	Principal	Interest	Total
2019	$	$	$ -
2020			-
2021	425,933	2,114,067	2,540,000
2022	1,159,595	6,610,405	7,770,000
2023	1,033,339	6,746,660	7,779,999
Total	$ 2,618,867	$ 15,471,132	$ 18,089,999

NOTE 10: GENERAL OBLIGATION BONDS

Series B

Year Ending June 30,	Principal	Accreted Interest	Current Interest	Total
2019	$	$	$	$ -
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	
2024-2028	29,116,017	49,878,983	-	78,995,000
2029-2031	19,743,814	42,971,186	-	62,715,000
Total	$ 48,859,831	$ 92,850,169	$ -	$ 141,710,000

Payments-Measure M

The annual requirements to amortize Measure M bonds payable, outstanding as of June 30, 2018, are as shown herein.

Series A

Year Ending June 30,	Principal	Interest	Total
2019	$ 825,000	$ 6,681,475	$ 7,506,475
2020	1,920,000	6,630,700	8,550,700
2021	2,335,000	6,545,600	8,880,600
2022	2,745,000	6,444,000	9,189,000
2023	3,175,000	6,325,600	9,500,600
2024-2028	23,570,000	28,954,925	52,524,925
2029-2033	40,420,000	21,769,275	62,189,275
2034-2038	62,425,000	11,065,925	73,490,925
2039	15,880,000	358,175	16,238,175
Total	$ 153,295,000	$ 94,775,675	$ 248,070,675

Series B

Year Ending June 30,	Principal	Interest	Total
2019	$ 2,040,000	$ 16,708	$ 2,056,708
Total	$ 2,040,000	$ 16,708	$ 2,056,708

NOTE 10: GENERAL OBLIGATION BONDS

Tax-Exempt Refunding Series A

Year Ending June 30,	Principal	Interest	Total
2019	$ 5,115,000	$ 3,680,600	$ 8,795,600
2020	6,225,000	3,476,000	9,701,000
2021	7,470,000	3,164,750	10,634,750
2022	8,845,000	2,791,250	11,636,250
2023	10,305,000	2,349,000	12,654,000
2024-2025	36,675,000	2,712,000	39,387,000
Total	$ 74,635,000	$ 18,173,600	$ 92,808,600

Taxable Refunding Series B

Year Ending June 30,	Principal	Interest	Total
2019	$ 7,030,000	$ 365,991	$ 7,395,991
2020	7,140,000	250,840	7,390,840
2021	4,875,000	110,468	4,985,468
Total	$ 19,045,000	$ 727,299	$ 19,772,299

2015 Refunding Bonds

Year Ending June 30,	Principal	Accreted Interest	Current Interest	Total
2019	$	$	$ 5,177,950	$ 5,177,950
2020	-	-	5,177,950	5,177,950
2021	-	-	5,177,950	5,177,950
2022	-	-	5,177,950	5,177,950
2023	-	-	5,177,950	5,177,950
2024-2028	-	-	25,889,750	25,889,750
2029-2033	95,830,000	-	17,526,025	113,356,025
2034-2037	65,305,806	65,224,194	364,000	130,894,000
Total	$ 161,135,806	$ 65,224,194	$ 69,669,525	$ 296,029,525

Series C

Year Ending June 30,	Principal	Interest	Total
2019	$ 2,610,000	$ 283,316	$ 2,893,316
2020	3,060,000	254,084	3,314,084
2021	3,220,000	214,465	3,434,465
2022	3,400,000	165,698	3,565,698
2023	3,600,000	$ 107,296	3,707,296
2024	3,815,000	37,673	3,852,673
Total	$ 19,705,000	$ 1,062,532	$ 20,767,532

NOTE 10: GENERAL OBLIGATION BONDS

Series D

Year Ending June 30,	Principal	Interest	Total
2019	$ -	$ 12,911,000	$ 12,911,000
2020	1,750,000	12,876,000	14,626,000
2021	-	12,841,000	12,841,000
2022	-	12,841,000	12,841,000
2023	-	12,841,000	12,841,000
2024-2028	26,885,000	61,728,875	88,613,875
2029-2033	39,525,000	53,754,875	93,279,875
2034-2038	96,840,000	37,734,750	134,574,750
2039-2043	115,000,000	11,790,000	126,790,000
Total	$ 280,000,000	$ 229,318,500	$ 509,318,500

Series E

Year Ending June 30,	Principal	Interest	Total
2019	$ 9,650,000	$ 243,982	$ 9,893,982
2020	10,350,000	87,613	10,437,613
Total	$ 20,000,000	$ 331,595	$ 20,331,595

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

Plan Description and Eligibility

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

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

Participant Type:	Number of Participants
Inactive participants currently receiving benefits	749
Inactive participants entitled to but not yet receiving benefit payments	-
Active employees	1,315
Total	2,064

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

Funding Policy

The contribution requirements are established and may be amended by the District. All contributions are discretionary and an actuarial determined contribution was not calculated. 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, 2018, the District contributed $6,794,370 to the plan.

Net OPEB Liability (Asset)

The following table shows the components of the net OPEB liability (asset) of the District:

	Balance June 30, 2018
Total OPEB liability	$ 107,409,737
Plan fiduciary net position	76,131,854
District's net OPEB liability (asset)	$ 31,277,883
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	71%

Investments

The Plan has assets with two trustees; the Retiree Health Benefit Funding Program Joint Powers Agency (the JPA) held in the Retiree Health Benefit OPEB Trust (the Trust), and Benefit Trust Company held in the Futuris Public Entity Investment Trust (Futuris). These accounts collectively comprise the Plan assets. The Plan's policy for allocation of invested assets is established and may be amended by each Retirement Board of Authority through a majority vote. It is the policy of both Boards to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of specific asset classes. Assets held in the Plan 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 investment policy has a long-term focus. It discourages both major shifts of asset class allocations over a short time span and, except for liquidity purposes, the use of cash equivalents. There is no established net rate of return or asset allocation policy.

The JPA or Futuris did not violate any provisions of the investment policy during the fiscal year ended June 30, 2018.

The District participates with other colleges in the Balanced Fund Master Trust held by Union Bank as trustee for the JPA. The Balanced Fund is comprised of various mutual funds and the District owns a pro-rata interest in the pool. In a Master Trust, the market value of the pool is

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

converted to units valued at $1.00 per unit and the District's individual statement reflects the units that they own in the pool. Master Trusts are unitized to the dollar and thus, the market and cost are the same. Income earnings, gains, losses and expense are allocated pro rata to all colleges participating in the Master Trust.

At June 30, 2018, all Plan investments were in either master trusts or mutual funds. The Plan held no investments in any one organization that represented 5% or more of fiduciary net position.

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was not available.

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The mutual funds held in the Master Trust are priced using a net asset value (NAV). The mutual funds may include several different underlying investments, including equities, bonds, real estate, and global securities. The NAV price is derived from the value of these investments, accrued income, anticipated cash flows (maturities), management fees, and other fund expenses. Certain investments within the fund may be deemed unobservable and not considered to be in an active market. The Plan's investments' fair value measurements at June 30, 2018, are presented herein.

		Fair Value Measurements Using		
Investment	Costs	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Master Trust	$ 39,130,380	$ -	$ -	$ 39,130,380
Mutual Fund - Fixed income	18,537,804	18,537,804	-	-
Mutual Fund - Domestic equity	13,421,111	13,421,111	-	-
Mutual Fund - International equity	3,331,732	3,331,732	-	-
Mutual Fund - Real estate	1,710,827	1,710,827	-	-
Total	$ 76,131,854	$ 37,001,474	$ -	$ 39,130,380

Actuarial Methods and Assumptions

The District's total OPEB liability and the net OPEB liability were measured using an actuarial valuation as of June 30, 2018.

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified herein.

Actuarial Methods and Assumptions	
Valuation date	June 30, 2017
Measurement date	June 30, 2018
Inflation	2.75%
Salary increases	2.75%
Investment rate of return	6%
Healthcare trend rate	4%

Mortality rates were based on the rates used by CalPERS Active Mortality for Miscellaneous Employees 2014 tables and the 2009 rates used by STRS for the pension valuations.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 (see the discussion of the Plan's investment policy) are shown herein.

Asset Class - Community College League of California	Asset Allocation	Long-term Expected Real Rate of Return
US large cap	60%	7.80%
US small cap	15%	7.80%
Long-term corporate bonds	20%	5.30%
Short-term government fixed	5%	3.25%

Asset Class - Futuris	Asset Allocation	Long-term Expected Real Rate of Return
US Domestic stock	50%	7.80%
Long-term corporate bonds	50%	5.30%

The discount rate used to measure the total OPEB liability was 6.0 percent. The valuation used historic 30 year real rates of return for each asset class along with assumed long-term inflation assumptions to set the discount rate. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Since the most recent GASB 45 valuation, the following changes have been made:

- The discount rate and expected rate of return on assets was changed from 6.8% to 6.0%

Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	$ 103,166,889	$ 71,617,326	$ 31,549,563
Changes for the year:			
Service cost	4,903,918		4,903,918
Interest	6,133,300		6,133,300
Employer contributions		6,794,370	(6,794,370)
Net investment income		4,292,242	(4,292,242)
Benefit payments	(6,794,370)	(6,794,370)	-
Investment gains/losses		382,212	(382,212)
Administrative expenses		(159,926)	159,926
Net changes	4,242,848	4,514,528	(271,680)
Balances at June 30, 2018	$ 107,409,737	$ 76,131,854	$ 31,277,883

The District's net OPEB liability calculated using the discount rate of 6.0 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.0 percent) or 1-percentage-point higher (7.0 percent) than the current rate is shown herein.

Discount rate	Net OPEB Liability
1% decrease (5.0%)	$ 40,684,979
Current discount rate (6.0%)	31,277,883
1% increase (7.0%)	23,109,297

The District's net OPEB liability calculated using the current healthcare cost trend rate of 6.5 percent decreasing to 4.0 percent, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing to 3.0 percent) or 1-percentage-point higher (7.5 percent decreasing to 5.0 percent) than the current rate is shown herein.

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

Healthcare trend rate	Net OPEB Liability
1% decrease (3.0%)	$ 25,556,327
Current healthcare trend rate (4.0%)	31,277,883
1% increase (5.0%)	37,617,249

OPEB Expense and Deferred Inflows of Resources, Related to OPEB

For the year ended June 30, 2018 , the District's actuarially determined OPEB expense was $6,828,459. At June 30, 2018, the District reported deferred inflows of resources of $305,769 related to OPEB from investment gains and losses.

Deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the OPEB plan for the June 30, 2018 measurement date is five years. The first year of amortization is recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over four years. The remaining amount will be recognized in OPEB expense as follows:

Year Ending June 30,	Amortization
2019	$ 76,443
2020	76,443
2021	76,443
2022	76,440
Total	$ 305,769

NOTE 12: EMPLOYEE RETIREMENT PLANS

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

As of June 30, 2018, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans as shown herein.

NOTE 12: EMPLOYEE RETIREMENT PLANS

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS - STRP	$ 129,472,000	$ 39,825,582	$ 9,002,071	$ 13,435,688
CalPERS - Schools Pool Plan	114,063,471	35,667,294	4,992,763	18,150,389
Total	$ 243,535,471	$ 75,492,876	$ 13,994,834	$ 31,586,077

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

Entity:	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
Governmental Fund	$ 241,299,827	$ 74,793,797	$ 13,896,976	$ 31,230,329
Fiduciary Fund	2,235,644	699,079	97,858	355,748
Total	$ 243,535,471	$ 75,492,876	$ 13,994,834	$ 31,586,077

The details of each plan are as included herein.

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs.

NOTE 12: EMPLOYEE RETIREMENT PLANS

CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

The STRP provisions and benefits in effect at June 30, 2018, are summarized as shown herein.

Provisions and Benefits	STRP Defined Benefit Program and Supplement Program	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2018 are presented above and the total District contributions were $11,199,040.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as shown herein.

NOTE 12: EMPLOYEE RETIREMENT PLANS

Proportionate Share of Net Pension Liability	Balance June 30, 2018
District proportionate share of net pension liability	$ 129,472,000
State's proportionate share of the net pension liability associated with the District	76,595,165
Total	$ 206,067,165

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2018, the District's proportion was 0.1400%.

For the year ended June 30, 2018 the District recognized pension expense of $13,435,688 and revenue of $7,710,039 for support provided by the state. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown herein.

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 11,199,040	$
Difference between expected and actual experience	478,800	2,258,200
Changes of assumptions	23,986,200	
Changes in proportion	4,161,542	3,295,671
Net differences between projected and actual earnings on plan investments	-	3,448,200
Total	$ 39,825,582	$ 9,002,071

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis. All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2017 measurement date is seven years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed six years.

NOTE 12: EMPLOYEE RETIREMENT PLANS

The remaining amount will be recognized to pension expense as shown herein.

Year Ending June 30,	Amortization
2019	$ 1,109,831
2020	6,145,631
2021	4,289,232
2022	912,896
2023	3,198,559
2024	3,968,322
Total	$ 19,624,471

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016 used the methods and assumptions shown herein, applied to all prior periods included in the measurement.

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.10%
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant and adopted by the CalSTRS Board in February 2017. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2017, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each

NOTE 12: EMPLOYEE RETIREMENT PLANS

major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Private equity	13%	9.30%
Real estate	13%	5.20%
Absolute return risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Fixed income	12%	0.30%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.10%)	$ 190,106,000
Current discount rate (7.10%)	129,472,000
1% increase (8.10%)	80,263,400

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2017, CalSTRS completed an experience study for the period starting July 1, 2010 and ending June 30, 2015. The experience study was adopted by the CalSTRS Board in February 2017. As a result of the study, certain assumptions used in determining the net pension liability of the STRP changed, including the

NOTE 12: EMPLOYEE RETIREMENT PLANS

discount rate, price inflation, wage growth, mortality assumptions and the mortality tables used in the actuarial valuation of the net pension liability. The changes to the assumptions as a result of the experience study follow:

Assumptions:	As of June 30, 2017	As of June 30, 2016
Investment Rate of Return	7.10%	7.60%
Consumer Price Inflation	2.75%	3.00%
Wage Growth	3.50%	3.75%

Plan Fiduciary Net Position

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

California Public Employees Retirement System (CalPERS)

Plan Description

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 12: EMPLOYEE RETIREMENT PLANS

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized herein.

Provisions and Benefits	CalPERS-Schools Pool Plan	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018 are as presented above and the total District contributions were $10,974,290.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $114,063,471. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.4778%.

For the year ended June 30, 2018, the District recognized pension expense of $18,150,389. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources herein.

NOTE 12: EMPLOYEE RETIREMENT PLANS

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 10,974,290	$
Difference between expected and actual experience	4,086,424	
Changes of assumptions	16,660,764	1,342,956
Changes in propportion		3,649,807
Net differences between projected and actual earnings on plan investments	3,945,816	
Total	$ 35,667,294	$ 4,992,763

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2017 measurement date is 4.0 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 3.0 years.

The remaining amounts will be recognized to pension expense as show herein:

Year Ending June 30,	Amortization
2019	$ 4,936,432
2020	9,752,508
2021	7,172,028
2022	(2,160,727)
Total	$ 19,700,241

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016 used the methods and assumptions shown herein, applied to all prior periods included in the measurement.

NOTE 12: EMPLOYEE RETIREMENT PLANS

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvement using Scale BB published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized herein.

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.38%
Fixed Income	19%	2.27%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.39%
Inflation assets	6%	1.39%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. . The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at

NOTE 12: EMPLOYEE RETIREMENT PLANS

statutory contribution rates. Based on these assumptions, the Schools Pool Plan fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.15%)	$ 167,823,917
Current discount rate (7.15%)	114,063,471
1% increase (8.15%)	69,464,678

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2017, the financial reporting discount rate for the Schools Pool Plan was lowered from 7.65% to 7.15%. Deferred outflows of resources for changes of assumptions represents the unamortized portion of this assumption change.

Plan Fiduciary Net Position

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

Public Agency Retirement System (PARS)

Plan Description

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

Funding Policy

Contributions of 7.5% of covered compensation of eligible employees are made by the employer and employee. Total contributions, employer and employee combined, were made in the amount

NOTE 12: EMPLOYEE RETIREMENT PLANS

of $882,403 during the fiscal year. The total amount of covered compensation was $11,769,220. Total contributions made are 100% of the amount of contributions required for fiscal year 2017-18.

NOTE 13: INTERFUND TRANSACTIONS

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

NOTE 14: INTERNAL SERVICE FUNDS

The District is exposed to various risks of loss related injuries to employees and medical claims. During the fiscal year, the District maintained an Internal Service Fund to account for and finance its uninsured risks of loss. The Self Insurance Fund provides coverage for up to a maximum of $250,000 for each worker's compensation claim filed prior to June 30, 1998. During July 1, 1998, the District is fully insured for workers' compensation. The Self Insurance Fund also provides for a maximum of $275,000 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 years.

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

At June 30, 2018, the District accrued the claims liability in accordance with GASB standards, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The present value of the liability, estimated at $3,354,788, is included in accrued liabilities.

Changes in the reported liability are shown herein.

Reported Liability	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Workers' Compensation	$ 335,394	$ 20,733	$ 14,266	$ 341,861
Health and Other Benefits	2,951,871	19,363,095	19,302,039	3,012,927
Total	$ 3,287,265	$ 19,383,828	$ 19,316,305	$ 3,354,788

NOTE 15: JOINT POWERS AGREEMENTS

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

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

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

CSAC Excess Insurance Authority's Master Rolling Owner Controlled Insurance Program covers liability, property, and workers' compensation job-site risks of construction activities for District projects. District as Owner, Construction Manager, General Contractor, contractors and sub-contractors of all tiers. CSAC Membership is comprised of 315 various counties, cities, schools, special districts, and other JPAs. Premiums are determined for each construction project or projects.

The Statewide Association of Community Colleges Joint Power authority ("SWACC") was established to provide a comprehensive program of property and liability coverage for more than 40 community colleges in California. The program's general objectives are to formulate, develop and administer, on behalf of the member public agencies, a program of insurance, to obtain lower costs for that coverage, and to develop comprehensive loss control programs.

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

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

NOTE 15: JOINT POWERS AGREEMENTS

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

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

JPA Condensed Financial Information	PIPS 6/30/2017 (Audited)	SAFER 6/30/2017 (Audited)	CSAC 6/30/2017 (Audited)	SWACC 6/30/2017 (Audited)
Total assets	$ 129,260,118	$ 25,967,058	$ 792,900,586	$ 52,910,567
Total liabilities	111,815,654	25,277,081	652,379,324	27,810,540
Fund balance	$ 17,444,464	$ 689,977	$ 140,521,262	$ 25,100,027
Total revenues	301,089,852	55,637,171	771,964,936	19,038,800
Total expenditures	296,996,362	57,088,960	769,116,291	22,346,167
Net increase/(decrease) in Fund Balance	$ 4,093,490	$ (1,451,789)	$ 2,848,645	$ (3,307,367)

NOTE 16: FUNCTIONAL EXPENSE

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

Functional Expense	Salaries	Employee Benefits	Supplies, materials, and other operating expenses and services	Financial Aid	Depreciation	Total
Instructional activities	$ 69,629,285	$ 36,749,364	$ 6,279,490	$	$	$ 112,658,139
Academic support	21,241,278	11,210,851	5,170,383			37,622,512
Student services	24,359,787	12,856,756	3,450,931			40,667,474
Operation and maintenance of plant	7,319,123	3,862,931	5,840,327			17,022,381
Instructional support services	26,387,547	13,926,980	18,553,243			58,867,770
Community services and economic development	436,849	230,563	84,317			751,729
Ancillary services and auxiliary operations	15,001,195	6,934,888	6,736,860			28,672,943
Physical property and related acquisitions	1,157,968	627,340	6,178,399			7,963,707
Transfers, student aid and other outgo				53,021,232		53,021,232
Depreciation expense					21,167,716	21,167,716
Total	$ 165,533,032	$ 86,399,673	$ 52,293,950	$ 53,021,232	$21,167,716	$ 378,415,603

NOTE 17: COMMITMENTS AND CONTINGENCIES

Litigation

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

NOTE 17: COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

Purchase Commitments

As of June 30, 2018, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $71,400,000. Projects will be funded through bond proceeds, state funds and general funds.

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

GASB has issued pronouncements prior to June 30, 2018, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 83 – *Certain Asset Retirement Obligations*

This statement addresses accounting and financial reporting for certain asset retirement obligations when a legally enforceable liability is associated with the retirement of a tangible capital asset. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources. The statement is effective for the fiscal year 2018-19.

Statement No. 84 – *Fiduciary Activities*

The objective of the statement is to improve guidance regarding the recognition of fiduciary activities for accounting and financial reporting purposes by establishing criteria for identifying fiduciary activities of all state and local governments. The statement is effective for the fiscal year 2019-20.

Statement No. 87 – *Leases*

The objective of the statement is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Inflows of resources or outflows of resources will be recognized based on the payment provisions of the contract. The statement establishes a single model for

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

lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement is effective for the fiscal year 2020-21.

Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Replacements*

The statement defines debt for purposes of disclosure in the notes to the financial statements. The statement requires additional disclosures related to debt obligations, including direct borrowings and direct placements. Amounts of unused lines of credit, assets pledged as collateral for debt and terms specified in debt agreements related to significant 1) events or default with finance-related consequences; 2) termination events with finance-related consequences and) subjective acceleration clauses are also required to be disclosed. The statement is effective for the fiscal year 2018-19

Statement No. 90 – *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*

The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 percent equity interest is acquired in that component unit. The statement is effective for the fiscal year 2018-19

REQUIRED SUPPLEMENTARY INFORMATION

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
For the Fiscal Year Ended June 30, 2018

Total OPEB Liability	2017	2018
Service Cost	$ 4,772,670	$ 4,903,918
Interest	5,885,743	6,133,300
Benefit Payments	(6,533,048)	(6,794,370)
Net Change in Total OPEB Liability	4,125,365	4,242,848
Total OPEB Liability - beginning	99,041,524	103,166,889
Total OPEB Liability - ending (a)	$ 103,166,889	$ 107,409,737

Plan Fiduciary Net Position	2017	2018
Contributions - Employer	$ 6,533,048	$ 6,794,370
Net Investment Income	6,030,540	4,292,242
Investment gains/losses	-	382,212
Benefit Payments	(6,533,048)	(6,794,370)
Administrative Expense	(106,841)	(159,926)
Net Change in Plan Fiduciary Net Position	5,923,699	4,514,528
Plan Fiduciary Net Position - beginning	65,693,627	71,617,326
Plan Fiduciary Net Position - ending (b)	$ 71,617,326	$ 76,131,854
Net OPEB Liability - ending (a) - (b)	$ 31,549,563	$ 31,277,883
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	69.42%	70.88%
Covered payroll	$ 110,477,993	$ 119,244,509
Net OPEB liability as a percentage of covered payroll	28.56%	26.23%

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

See the accompanying notes to the required supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS MONEY-WEIGHTED RATE OF RETURN ON PLAN ASSETS
For the Fiscal Year Ended June 30, 2018

Year	Annual money-weighted rate of return, net of investment expense
2017	NA
2018	NA

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

See the accompanying notes to the required supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2018

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018
District's proportion of the net pension liability (assets)	0.1360%	0.1460%	0.1410%	0.1400%
District's proportionate share of the net pension liability (asset)	$ 79,474,320	$ 98,293,040	$114,042,210	$129,472,000
State's proportionate share of the net pension liability (asset) associated with the District	47,990,508	51,986,043	64,931,754	76,595,165
Total	$127,464,828	$150,279,083	$178,973,964	$206,067,165
District's covered payroll	$ 60,100,000	$ 67,800,000	$ 71,000,000	$ 77,100,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	132.24%	144.97%	160.62%	167.93%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%	70.04%	69.46%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018
District's proportion of the net pension liability (assets)	0.5164%	0.5156%	0.4943%	0.4778%
District's proportionate share of the net pension liability (asset)	$ 58,623,973	$ 75,999,949	$ 97,624,556	$114,063,471
District's covered payroll	$ 53,300,000	$ 56,700,000	$ 59,700,000	$ 60,300,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	109.99%	134.04%	163.53%	189.16%
Plan fiduciary net position as a percentage of the total pension liability	83.37%	79.43%	73.90%	71.87%

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

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

See the accompanying notes to the required supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS – STRP AND CALPERS
For the Fiscal Year Ended June 30, 2018

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018
Contractually required contribution	$ 6,022,305	$ 7,618,862	$ 9,698,103	$ 11,199,040
Contributions in relation to the contractually required contribution	6,022,305	7,618,862	9,698,103	11,199,040
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 67,800,000	$ 71,000,000	$ 77,100,000	$ 78,100,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	9.76%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018
Contractually required contribution	$ 6,678,600	$ 7,075,135	$ 8,536,763	$ 10,974,290
Contributions in relation to the contractually required contribution	6,678,600	7,075,135	8,536,763	10,974,290
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 56,700,000	$ 59,700,000	$ 60,300,000	$ 64,700,000
Contributions as a percentage of covered payroll	11.77%	11.85%	14.16%	16.96%

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

See the accompanying notes to the required supplementary information.

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Changes in the Net OPEB Liability and Related Ratios

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

Benefit changes – None

Changes of Assumptions - None

Schedule of Postemployment Healthcare Benefits Money-Weighted Rate of Return on Plan Assets

The schedule is intended to show trends about the rate of return on plan assets.

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

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

Schedules of District Contributions – STRP and CalPERS

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

SUPPLEMENTARY INFORMATION

COAST COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2018

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

The Board of Trustees and the District Administrators for the fiscal year ended June 30, 2018 were as follows:

BOARD OF TRUSTEES

Member	Office	Term Expires
Ms. Mary L. Hornbuckle	President	2020
Dr. Lorraine Prinsky	Vice President	2020
Mr. Jim Moreno	Clerk of the Board	2018
Mr. David A. Grant	Trustee	2018
Mr. Jerry Patterson	Trustee	2020
Ms. Amber Gil	Student Trustee	2018-2019

DISTRICT ADMINISTRATORS

Mr. John Weispfenning, Ph.D.	Chancellor
Dr. Dennis Harkins	President, Orange Coast College
Mr. Tim McGrath	President, Golden West College
Dr. Loretta Adrian	President, Coastline Community College
Dr. Andrew Dunn	Vice Chancellor, Finance and Administrative Services
Dr. Marco Baeza	Vice Chancellor, Human Resources
Dr. Andreea M. Serban	Vice Chancellor, Educational Services and Technology

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Department of Education			
Direct:			
Student Financial Aid Cluster:			
Federal Work Study	84.033	(1)	$ 671,638
Pell Grant	84.063	(1)	37,901,932
Perkins Loan Program	84.038	(1)	1,064,786
Supplemental Education Opportunity Grant	84.007	(1)	670,398
Federal Direct Student Loans	84.268	(1)	7,040,565
Subtotal: Student Financial Aid Cluster			47,349,319
Higher Education Institutional Aid			
Direct:			
Title III - Access 2 Success	84.031A	(1)	370,882
New Asian American Pacific Islander Generation Initiative	84.031L	(1)	297,416
Pass-Through Program From California State University, Fullerton:			
Project RAISE: Regional Alliance in STEM Education	84.031C	(1)	36,042
Pass-Through Program From Vanguard University:			
Vista: Novel Approaches for Leveraging Tomorrow's Solutions with Today's Answers in Improving Education (Vista)	84.031S		6,877
Subtotal: Higher Education Institutional Aid			711,217
Pass-Through Program From California Community Colleges Chancellor's Office:			
Career and Technical Education -- Basic Grants to States (CTE):			
CTE Title I, Part C - Carl D. Perkins	84.048A	(1)	1,434,895
CTE Transitions	84.048A	(1)	113,523
Subtotal: CTE			1,548,418
Pass-Through Program From California Department of Education:			
Adult Education-Basic Grants to States	84.002	(1)	125,808
Subtotal: Passed-Through Programs			125,808
Total: United States Department of Education			49,734,762
United States Department of Agriculture			
Pass-Through Program From California Department of Education:			
Child and Adult Care Food Program	10.558	(1)	76,189
Total: United States Department of Agriculture			76,189

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Department of Health and Human Services			
Pass-Through Program From California Community Colleges Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	136,527
Child Care and Development Fund Cluster (CCDF)			
Pass-Through Program From California Department of Education:			
Child Care and Development Block Grant	93.575	15136	36,829
Pass-Through Program From Yosemite Community College District:			
Child Development Training Consortium	93.575	(1)	23,088
Subtotal: CCDF Cluster			59,917
Total: United States Department of Health and Human Services			196,444
Department of Defense			
Direct:			
Information Security Grants CAE-2Y Pilot Grant Program - CAE Development of CAE Regional Resource Centers (CRRCs)	12.902		214,055
Total: Department of Defense			214,055
United States Department of Interior			
Pass-Through Program From Department of Parks and Recreation:			
Great Lakes Restoration - Sport Fishing and Boating Safety Act (Aquatic Center)	15.622	68106	27,720
Total: United States Department of Interior			27,720
Total Expenditures Federal Programs			$ 50,249,170
Reconciliation to Federal Revenue			
Total Expenditures Federal Programs			$ 50,249,170
Perkins Loan Program, loan balance outstanding	84.038		(1,064,786)
Total Federal Program Revenue			$ 49,184,384

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

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2018

	Program Revenues						
Program Name	Cash Received	Prior Year Unearned Revenue	Accounts Receivable	Unearned Revenue	Accounts Payable	Total	Total Program Expenditures
State Categorical Aid Programs:							
Adult Block Grant	$ 1,509,329	$ 2,948,946	$ -	$ 2,497,069	$ -	$ 1,961,206	$ 1,961,206
Board Financial Assistance Admin Allowance	1,548,813	-	-	-	-	1,548,813	1,548,813
Basic Skills (S.F.A.A)	1,158,741	400,452	-	1,088,888	-	470,305	470,305
Cal Grant	3,529,760	-	83,764	-	-	3,613,524	3,613,524
Cooperating Agencies Foster Youth Education Support	578,306	-	-	-	-	578,306	578,306
Disabled Student Programs & Service (DSPS)	3,284,648	-	-	-	-	3,284,648	3,284,648
Economic Opportunity (EOPS)	3,335,294	-	-	-	-	3,335,294	3,335,294
Equal Employment Opportunity	50,000	39,366	-	22,381	-	66,985	66,985
EOPS-Coop Agency Resource Education (CARE)	270,261	-	575	-	-	270,836	270,836
CalWORKs	702,157	-	-	-	-	702,157	702,157
Career Technical Education Enhancement	-	-	181	-	-	181	181
Career Technical Education Pathways Initiative	306,288	-	981,730	-	-	1,288,018	1,288,018
Instructional Equipment and Library Materials	300,000	447,821	-	40,426	-	707,395	707,395
Full-time Student Success Grant	1,381,705	268,551	-	35,360	-	1,614,896	1,614,896
Nursing Education	20,762	-	76,238	-	-	97,000	97,000
Schedule of Maintenance	1,572,111	1,664,508	-	1,998,218	-	1,238,401	1,238,401
State Capital Outlay (Prop 39 Clean Energy)	1,059,673	728,651	-	1,059,673	-	728,651	728,651
State Hospitals (Fairview Handicapped)	570,817	-	-	-	-	570,817	570,817
Strong Workforce Program	3,240,070	1,903,862	-	3,074,743	-	2,069,189	2,069,189
Strong Workforce Program - Regional	860,120	-	458,049	-	-	1,318,169	1,318,169
Student Equity Program	3,284,953	1,855,834	-	1,707,030	-	3,433,757	3,433,757
Student Success and Support Program (SSSP) Credit	6,741,358	1,961,392	-	1,621,360	-	7,081,390	7,081,390
SSSP-Noncredit	112,442	44,155	-	83,112	-	73,485	73,485
Veteran Resource Center	157,097	-	-	155,822	-	1,275	1,275
Total State Categorical Aid Programs	$ 35,574,705	$ 12,263,538	$ 1,600,537	$ 13,384,082	$ -	$ 36,054,698	$ 36,054,698

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, 2018

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2017 only)			
1. Noncredit[1]	10.84		10.84
2. Credit[1]	3,033.29		3,033.29
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit[1]	0.84		0.84
2. Credit[1]	1,255.54		1,255.54
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	19,695.77		19,695.77
(b) Daily Census Contact Hours	1,106.56		1,106.56
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit[1]	337.33		337.33
(b) Credit[1]	1,112.85		1,112.85
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	4,252.23		4,252.23
(b) Daily Census Contact Hours	1,820.55		1,820.55
(c) Noncredit Independent Study/Distance Education Courses			-
D. Total FTES	32,625.80	-	32,625.80
Supplemental Information (subset of above information)			
E. In-service Training Courses (FTES)	16.91		16.91
H. Basic Skills courses and Immigrant Education			
(a) Noncredit[1]	240.58		240.58
(b) Credit[1]	2,307.79		2,307.79
CCFS 320 Addendum			
CDCP Noncredit FTES	-		-
Centers FTES			
(a) Noncredit[1]	-		-
(b) Credit[1]	-		-

1 Including Career Development and College Preparation (CDCP) FTES

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

The audit resulted in no adjustments to the fund balances reported on the June 30, 2018 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. In accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Additional entries were made to comply with the governmental reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

A reconciliation between the fund balances reported on the June 30, 2018 Annual Financial and Budget Report (CCFS-311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown below and on the following page:

General Fund Balance		$ 36,349,157
Bond Interest and Redemption Fund Balance		56,165,511
Capital Outlay Fund Balance		28,982,321
Measure M - Bond Construction Funds Balance		283,619,148
Self-Insurance Fund Balance	112,398,599	
Amount reported as OPEB Plan Fund Balance	(76,131,854)	
Incurred but not reported liability	(3,354,788)	
Self-Insurance Fund Balance - Revised		32,911,957
All Other Funds		12,959,897
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)		$ 450,987,991

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, 2018

Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$ 450,987,991
Amounts reported for governmental activities in the statement of net position are different because:	
Notes receivable is recognized in the statement of net position. The repayment of notes receivable is reported as revenue in the governmental funds, but the repayment reduces the notes receivable in the statement of net position.	12,187,500
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Net capital assets of $5,300,250 is already recorded in other governmental funds. Capital assets, net of accumulated depreciation are added to total net assets.	572,622,480
Deferred charges on refunding debt are recorded as deferred outflows and are amortized over the life of the refunded debt.	24,610,595
Deferred outflows of resources - pensions are for contributions made during the fiscal year that are removed from expenses and differences between estimated and actual results. The contributions will be recognized as a reduction of the net pension liability in the subsequent year and the differences will be amortized.	74,793,797
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds. The short term portion of $741,457 is already recorded in the General Fund.	(8,218,988)
Long-term liabilities related to bonds are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Bond related liabilities are added to the statement of net position which reduces the total net assets reported.	(902,824,119)
The liability of employers contributing for other post employment retirement plans in excess of annual required contributions is reported as a liability in the governmental funds.	(31,277,883)
The liability of employers contributing for the medicare premium payment plan.	(870,865)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension liabilities.	(241,299,827)
Deferred inflows of resources - pensions represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources – pensions, results from various differences between estimated and actual results. These amounts are deferred and amortized.	(13,896,976)
Deferred inflows of resources - postemployment healthcare represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources – postemployment healthcare, results from investment gains and losses. These amounts are deferred and amortized.	(305,769)
Interest expense related to bonds incurred through June 30, 2018 is accrued as a current lability on the statement of net position which reduces the total net assets reported.	(12,279,495)
Total net position	$ (75,771,559)

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, 2018

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 Reported Data	Audit Adjustments	Revised Data	Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries - Contract or Regular	1100	38,079,369		38,079,369	38,079,369		38,079,369
Instructional Salaries - Other	1300	29,155,246		29,155,246	29,155,246		29,155,246
Total Instructional Salaries		67,234,615	-	67,234,615	67,234,615	-	67,234,615
Non-Instructional Salaries - Contract or Regular	1200			-	16,358,840		16,358,840
Non-Instructional Salaries - Other	1400			-	2,339,619		2,339,619
Total Non-Instructional Salaries		-	-	-	18,698,459	-	18,698,459
Total Academic Salaries		67,234,615	-	67,234,615	85,933,074	-	85,933,074
Classified Salaries							
Non-Instructional Salaries - Regular Status	2100			-	35,988,239		35,988,239
Non-Instructional Salaries - Other	2300			-	2,687,104		2,687,104
Total Non-Instructional Salaries		-	-	-	38,675,343	-	38,675,343
Instructional Aides - Regular Status	2200	3,275,470		3,275,470	3,275,470		3,275,470
Instructional Aides - Other	2400	1,654,185		1,654,185	1,654,185		1,654,185
Total Instructional Aides		4,929,655	-	4,929,655	4,929,655		4,929,655
Total Classified Salaries		4,929,655	-	4,929,655	43,604,998	-	43,604,998
Employee Benefits	3000	29,177,658		29,177,658	60,842,733		60,842,733
Supplies and Materials	4000			-	1,886,618		1,886,618
Other Operating Expenses	5000			-	17,330,553		17,330,553
Equipment Replacement	6420			-			-
Total Expenditures Prior to Exclusions		101,341,928	-	101,341,928	209,597,976	-	209,597,976
Exclusions							
Activities to Exclude							
Instructional Staff–Retirees' Benefits & Retirement Incentives	5900	3,504,725		3,504,725	3,504,725		3,504,725
Student Health Services Above Amount Collected	6441			-	44,730		44,730
Student Transportation	6491			-	441,615		441,615
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740			-	6,259,758		6,259,758
Objects to Exclude							
Rents and Leases	5060			-	1,130,391		1,130,391
Lottery Expenditures							
Academic Salaries	1000			-	2,901,494		2,901,494
Classified Salaries	2000			-			-
Employee Benefits	3000			-	901,723		901,723
Software	4100			-			-
Books, Magazines, & Periodicals	4200			-			-
Instructional Supplies & Materials	4300			-			-
Noninstructional, Supplies & Materials	4400			-			-
Other Operating Expenses and Services	5000			-	1,337,534		1,337,534
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment - Additional	6410			-			-
Equipment - Replacement	6420			-			-
Other Outgo	7000			-			-
Total Exclusions		3,504,725	-	3,504,725	16,521,970	-	16,521,970
Total for ECS 84362, 50% Law		97,837,203	-	97,837,203	193,076,006	-	193,076,006
Percent of CEE (Instructional Salary Cost/Total CEE)		50.67%	0%	50.67%	100%	0%	100%
50% of Current Expense of Education					96,538,003	-	96,538,003

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

EDUCATION PROTECTION ACCOUNT EXPENDITURE REPORT
For the Fiscal Year Ended June 30, 2018

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				$ 24,907,601
Activity Classification	**Object Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 24,907,601	$ -	$ -	$ 24,907,601
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
Total Expenditures for EPA*		$ 24,907,601	$ -	$ -	24,907,601
Revenue 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, 2018

	2019 (Budgeted)	2018	2017	2016
Total revenues	$ 260,481,127	$ 260,484,981	$ 250,569,791	$ 256,368,317
Total expenditures	259,649,344	266,123,865	258,999,882	244,389,882
Total other sources	2,477,721	1,095,176	1,050,000	771,906
Change in fund balance	3,309,504	(4,543,708)	(7,380,091)	12,750,341
Ending fund balance	$ 39,658,661	$ 36,349,157	$ 40,892,865	$ 48,272,956
Available reserve	$ 29,406,423	$ 31,141,380	$ 27,305,716	$ 45,753,622
Available reserve %	11.33%	11.70%	10.54%	18.72%
Full-time equivalent students	32,623	32,626	30,292	32,624
Total long term debt	$ 888,335,107	$ 917,475,338	$ 934,302,228	$ 593,219,634

IMPORTANT NOTES:

Available reserve balance is the amount designated for general reserve and any other remaining undesignated amounts in the General Fund. The 2019 budget reserve balance was estimated using the budgeted contingency reserve balances less other 2018 amounts reserved.

The 2019 budget is the Plan and Budget adopted by the Board of Trustees on September 5, 2018.

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

Long-term debt is reported for the District as a whole and includes debt related to all funds, excluding the postemployment healthcare, medicare premium payment, and net pension liabilities.

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

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

Federal Student Loan Programs

The federal student loan program listed below is administered directly District, and balances and transactions relating to this program is included in the District's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2018 consists of:

Program Title	CFDA Number	Amount Outstanding
Perkins Loans	84.038	$1,236,469

Schedule of State Financial Assistance - Grants

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

NOTE 1: PURPOSE OF SCHEDULES

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule reports any audit adjustments made to the fund balances of all funds as reported on the June 30, 2018 Annual Financial and Budget Report (Form CCFS-311). This schedule shows a reconciliation between the governmental fund balances on the June 30, 2018 CCFS-311, based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting shown.

Reconciliation of 50 Percent Law Calculation

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

Education Protection Account Expenditure Report

This schedule reports how funds received from the passage of Proposition 55 Education Protection Act were expended.

Schedule of General Fund Financial Trends and Analysis

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

OTHER INDEPENDENT AUDITORS' REPORT

CliftonLarsonAllen LLP
CLAconnect.com

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of Coast Community College District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements and have issued our report thereon dated November 13, 2018.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 13, 2018

CliftonLarsonAllen LLP
CLAconnect.com

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

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

Report on Compliance for Each Major Federal Program

We have audited Coast Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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, 2018.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 13, 2018

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

We have audited the Coast Community College District's (the District) compliance with the types of compliance requirements described in the *2017-18 Contracted District Audit Manual,* published by the California Community Colleges Chancellor's Office for the year ended June 30, 2018. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

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

Auditors' 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 *2017-18 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 AUDITORS' REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

Section	Description	Procedures Performed
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Instructional Service Agreements/Contracts	Not applicable
424	State General Apportionment Funding System	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Dual Enrollment (CCAP and Non-CCAP)	Yes
428	Student Equity	Yes
429	Student Success and Support Program (SSSP) Funds	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
439	Proposition 39 Clean Energy Funds	Yes
440	Intersession Extension Programs	Not applicable
444	Apprenticeship Related and Supplemental Instruction (RSI) Funds	Not applicable
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Yes
490	Proposition 1D and 51 State Bond Funded Projects	Yes
491	Education Protection Account Funds	Yes

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2018.

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 *2017-18 Contracted District Audit Manual*, published by the California Community College Chancellor's Office. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 13, 2018

FINDINGS AND QUESTIONED COSTS

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2018

SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?	____	*Yes*	X	*No*
Significant deficiency(ies) identified?	____	*Yes*	X	*None Reported*
Noncompliance material to financial statements noted?	____	*Yes*	X	*No*

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified?	____	*Yes*	X	*No*
Significant deficiency(ies) identified?	____	*Yes*	X	*None Reported*

Type of auditors' report issued on compliance for major federal programs: *Unmodified*

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

Identification of Major Federal Programs:

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

Dollar threshold used to distinguish between type A and type B programs: $1,264,315

Auditee qualified as low-risk auditee?	____	*Yes*	X	*No*

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO THE FINANCIAL STATEMENTS June 30, 2018

There were no findings and questioned costs related to basic financial statements for the year ended June 30, 2018.

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2018

There were no findings and questioned costs related to federal awards for the year ended June 30, 2018.

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO STATE AWARDS June 30, 2018

There were no findings and questioned costs related to state awards for the year ended June 30, 2018.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2018

2017-001 Reconciliation and Closing Procedures

Original Finding: 2014-001

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

- There are 17 checking accounts between the General Fund and the Student Financial Aid Fund, of the 17, six accounts were reconciled, seven accounts have unreconciled differences, and four accounts with no bank reconciliations.
- No reconciliation process between the campuses' auxiliary funds and the District's Fund 81, which is the control fund for the campuses
- Due to incomplete reconciliations of some accounts receivable and accounts payable accounts, there were three proposed adjusting entries. One was for $899,268 in accounts receivable and one was for $849,236 in accounts payable, totaling to a net effect of $50,033 on the ending fund balance. In addition, there were differences on the initial federal and state revenues and expenditures schedule provided to us.

Recommendation: Establish a system of consistent monthly reconciliations and closing procedures. To provide more accurate financial statements, establish effective review and reconciliation policies and procedures as a customary part of the business operations and accounting process. This would include monthly reconciliations of all accounts, recording adjustments throughout the year that have typically been made at year-end only, and perform regular reviews of the general ledger throughout the year.

District Response: There has been significant turnover in the District Fiscal Department resulting in a delay of our implementation plan. However, our original plan is sound and entails full staffing to implement a system of monthly closing procedures. These procedures will include account reconciliations to ensure accounts are reviewed, reconciled, and adjusted monthly. The plan includes the following:

a) Documentation supporting the reconciliation of bank balance to the account balance in the general ledger.
b) Monthly account reconciliations completed and reviewed by specified due dates and a review of the unidentified differences and posting the necessary adjustments timely.
c) Procedures established to reconcile auxiliary charges to District Fund 81 balances. In addition, we will implement procedures and timelines to ensure all audit adjusting entries are posted when required.

2017-001 **Reconciliation and Closing Procedures**

d) Year-end accruals in pre-paid and accounts payable accounts will be reviewed and corrected as appropriate.
e) The monthly close process will be reviewed periodically to identify improvements that help ensure quality, accuracy and completeness of the reconciliations.

Status: Implemented except for item c) for which management elected to postpone due to the impending upgrade to Banner 9. Management will assess in 2018-19 and establish procedures as deemed appropriate.

2017-002 **Internal Controls – Payroll Segregation of Duties and Personnel Files**

Finding: Salaries and benefits expenditures are the most significant expense of the District. A strong internal control system over the payroll functions of on-boarding new employees, and ongoing payroll preparation, reviewing process, and record keeping can reduce the potential threats of error and misappropriation. Our audit procedures disclosed the following deficiencies:

- Except for the part-time faculty, the payroll department uses a version of the authorization form such as Personnel Action Form (PAF), the electronic PAF (ePAF), or the Personnel Action Request (PAR), forwarded by the human resource department to enter all new employees and their pay rates and pay rate changes into Banner, the financial system, and payroll system. The human resources department enters the part-time faculty information into Banner and the payroll system. No confirmation of input of the PAFs is sent back to the human resource department and there is no audit function performed by other departments to review the payroll department's input process of the PAFs.

- Currently, the payroll department audits its own work. The payroll technicians cross audit all their entries each payroll cycle. The payroll analyst audits each payroll cycle for data entry errors, misclassifications of employees, retirement misclassification of pay, salary calculation errors. The payroll systems manager audits each payroll cycle for balancing, retirement reporting, and tax reporting. Although the payroll department is performing and auditing all the functions noted above, the documentation of such process is not available for audit review.

- Personnel files do not always include the most current authorizations such as the PAF, ePAF, or the PAR for pay rates. These authorizations exist, but are not maintained in a central location. When a PAF or a PAR was not available for audit review, the assumption is the employees may have an ePAF; however, documentation was not easily accessible by the human resources department. Requesting the ePAF from payroll, requires the transaction number which is not easily obtained. Also, if no ePAF is on file, and the employee has a Faculty Load and Compensation (FLAC) approval, the payroll department maintains custody of the supporting documentation

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2018

2017-002 **Internal Controls – Payroll Segregation of Duties and Personnel Files**

Recommendation:

- To strengthen internal controls, have individual(s) or a department outside the payroll function, such as the human resources department enter all new employees and pay rate changes. The payroll department should not have access to this function within the payroll system. Review, and documentation of the review, strengthen internal controls by ensuring changes made to an employee's record and personnel file are proper and correct.

- Document the payroll department's current cross audit and review functions within the department and maintain evidence that the review was completed.

- Establish a process to ensure the history and authorization of each employees' pay rate changes are documented and retained. The process established should result in a timely response to requests for supporting documentation.

District Response: The District is in the process of implementing the electronic personnel action form (ePAF) by February 2018, which will automatically apply the pay rates after the ePAF has been fully approved by all respective departments within its workflow process. Since the system will be automatically applying the pay rates, and the payroll department will not be part of the workflow approval process of an ePAF, this business process will effectively segregate the duties as Human Resources will be entering the pay rates into the system for an ePAF.

The review and cross audit of payroll functions will be properly documented with dates and signatures of the reviewer. In addition to compensating internal controls, Payroll will engage the Fiscal department to perform sampling audits for payroll completeness, accuracy and existence. The District will be able to run ePAF reports at any given time to see a historical audit approval trail as well as any relevant changes to an employee's pay.

The official personnel file for all employees is maintained and housed securely in the District Human Resources Office. With the implementation of ePAF in February 2018, Human Resources will create and annually print a report of all current fiscal year authorizations for each faculty member with assignment and pay rate, and place this report in each personnel file. With regard to Load, Human Resources will create a load report for each faculty member, and include printed reports in the personnel file.

Status: Implemented.

CONTINUING DISCLOSURE INFORMATION

COAST COMMUNITY COLLEGE DISTRICT

2017-2018 LARGEST LOCAL SECURED TAXPAYERS (UNAUDITED)
June 30, 2018

2017-2018 Largest Local Secured Taxpayers (1)

	Property Owner	Primary Land Use	2017-2018 Assessed Valuation	% of Total(2)
1.	The Irvine Company	Commercial	$1,568,985,349	1.22%
2.	Bella Terra Associates LLC.	Commercial	340,199,928	0.27
3.	PH Finance LLC	Commercial	286,773,607	0.22
4.	South Coast Plaza	Commercial	273,064,190	0.21
5.	PRII/MCC South Coast Property Owner LCC	Commercial	237,660,000	0.19
6.	Block 500 Newport Center Drive LCC	Commercial	222,147,533	0.17
7.	Socal Holding LLC	Oil & Gas	219,424,873	0.17
8.	United Dominion Realty LP	Apartments	198,562,854	0.15
9.	PCH Beach Resort LLC	Commercial	188,539,800	0.15
10.	Hyundai Motor America	Commercial	188,489.602	0.15
11.	McDonnell Douglas Corp.	Industrial	187,818,252	0.15
12.	JKS-CMFV LLC	Commercial	184,285,897	0.14
13.	Marjack LLC Irvine Company	Apartments	156,731,144	0.12
14.	Westminster Mall LLC	Commercial	136,198,138	0.11
15.	Insurance Exchange of the Automobile Club of America	Commercial	132,901,324	0.11
16.	UDR Newport Beach North LP	Apartments	132,619,723	0.11
17.	Elan Multifamily LLC	Apartments	131,000,000	0.10
18.	Casden Lakes LP	Apartments	129,470,775	0.10
19.	Balboa Bay Club Ventures LLC	Commercial	129,117,315	0.10
20.	Coronado South Apartments LP	Apartments	127,230,303	0.10
			$5,171,220,607	4.11%

(1) Information obtained from California Municipal Statistics, Inc.
(2) % of total assessed valuation for the fiscal year 2017-18 of $128,372,862,645

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2018

	General Fund		
	Budget *	Actual	Variance Favorable (Unfavorable)
Revenue			
Revenue from Federal Sources			
Higher Education Act	$ 1,327,966	963,940	$ (364,026)
Temporary Assistance for Needy Families (TANF)	136,599	136,527	(72)
Career and Technical Education Act	1,596,045	1,548,418	(47,627)
Other Federal Revenue	1,736,775	804,471	(932,304)
Revenue from State Sources			
General Apportionments	41,770,056	39,472,022	(2,298,034)
Categorical Apportionments	43,324,721	37,734,136	(5,590,585)
Other State Revenues	21,548,661	9,643,943	(11,904,718)
Revenue from Local Sources			
Property Taxes	126,478,942	129,195,223	2,716,281
Interest and Investment Income	518,400	843,158	324,758
Student Fees and Charges	33,028,351	33,412,764	384,413
Other Local Revenue	4,355,761	7,480,379	3,124,618
Total Revenue	275,822,277	261,234,981	(14,587,296)
Expenditures			
Academic Salaries	91,052,061	93,922,267	(2,870,206)
Classified Salaries	64,639,644	60,779,606	3,860,038
Employee Benefits	71,243,311	70,340,266	903,045
Supplies and Materials	8,257,872	5,099,057	3,158,815
Other Operating Expenses & Services	43,085,238	24,346,870	18,738,368
Capital Outlay	6,874,337	5,161,277	1,713,060
Other Uses	5,121,605	3,960,163	1,161,442
Total Expenditures	290,274,068	263,609,506	26,664,562
Excess (deficiency) of revenues over expenditures	(14,451,791)	(2,374,525)	12,077,266
Other Financing Sources (Uses)			
Interfund Transfers In	-	345,176	345,176
Interfund Transfers Out	(241,975)	(2,514,359)	(2,272,384)
Total Other Financing Sources (Uses)	(241,975)	(2,169,183)	(2,272,384)
Excess (deficiency) of revenues over expenditures and other sources (uses)	$ (14,693,766)	(4,543,708)	$ 9,804,882
Fund Balance at Beginning of Year		40,892,865	
Fund Balance at End of Year		$ 36,349,157	

* The budgets amounts were adjusted to include the STRS on-behalf payments for GASB 68.