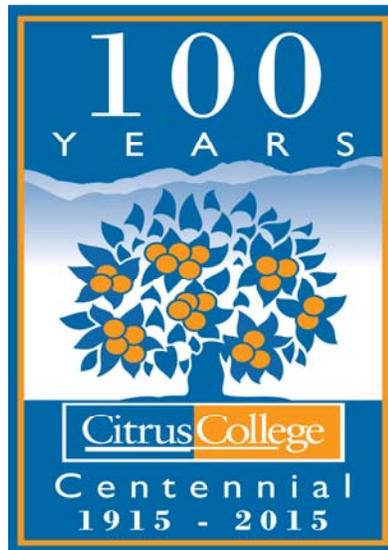


CITRUS COMMUNITY COLLEGE DISTRICT

LOS ANGELES COUNTY

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



CITRUS COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2015

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CITRUS COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Citrus Community College District
1000 West Foothill Boulevard
Glendora, California 91741

We have audited the accompanying basic financial statements of the Citrus Community College District as of and for the year ended June 30, 2015, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the 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.

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

The Board of Trustees
Citrus Community College District

Opinion

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

Change in Accounting Principle

As discussed in Note 12 to the basic financial statements, in 2015 the Citrus Community College District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement no. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the District's proportionate share of the net pension liability (STRP and CalPERS), schedules of District contributions (STRP and CalPERS), schedule of post-employment healthcare benefits funding progress, and schedule of post-employment healthcare benefits employer contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Board of Trustees
Citrus Community College District

Other Information

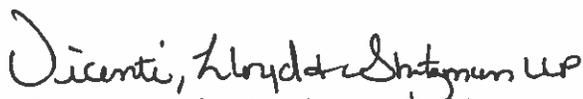
Our audit was conducted for the purpose of forming an opinion on the Citrus Community College District financial statements as a whole. The supplementary schedules and the continuing disclosure information are presented for purposes of additional analysis and are not a required part of the basic financial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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015 on our consideration of the Citrus Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Citrus Community College District's internal control over financial reporting and compliance.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 16, 2015

CITRUS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Introduction

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

The District is a public two-year community college located in Glendora, California in the Foothills of the San Gabriel Mountains. The District, which serves the communities of Azusa, Claremont, Duarte, Glendora and Monrovia, was founded in 1915 and served 19,106 unduplicated headcount of students in 2014-15. The District has the distinction of being the oldest community college in Los Angeles County and the fifth oldest in the State. Citrus College celebrates 100 years of academic excellence. The Centennial, which was observed during the 2014-15 academic year, provided an opportunity for the college to connect with alumni, members of the community, and friends near and far.

Citrus College delivers high quality instruction to students both within and beyond traditional geographic boundaries. The College is dedicated to fostering a diverse educational community and learning environment by providing an open and welcoming culture that supports successful completion of transfer, career/technical education, and basic skills development. The District demonstrates its commitment to academic excellence and student success by continuously assessing student learning and institutional effectiveness.

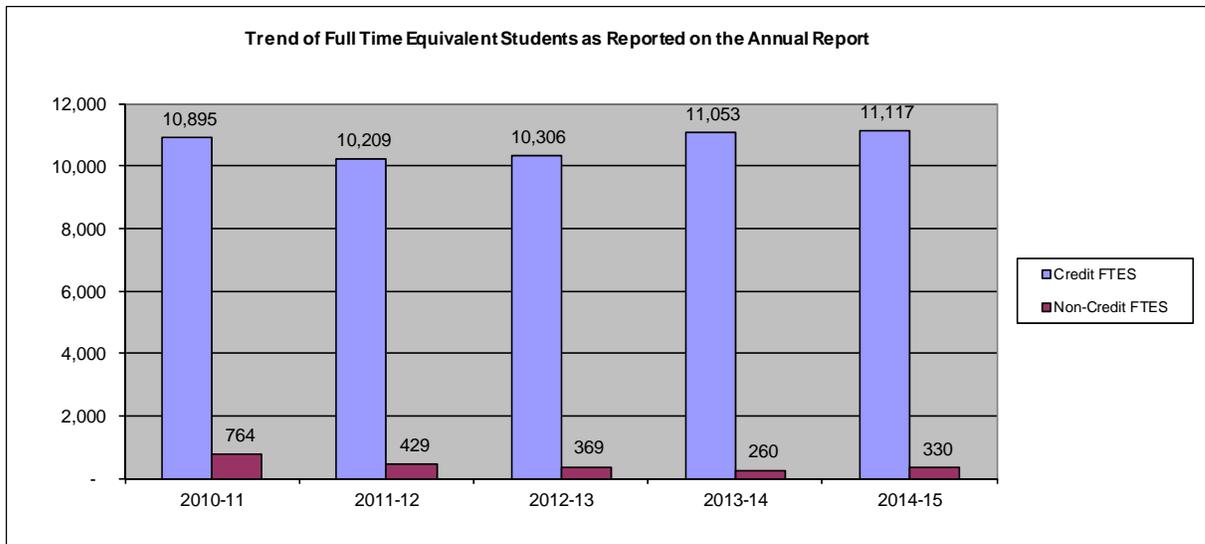
Accounting Standards

The Citrus Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statements No. 34 and 35 using the Business Type Activity (BTA) model. The California Community Colleges Chancellor's Office, through its Fiscal Standards and Accountability Committee, recommends that all community college districts use the reporting standards under the BTA model. These statements allow for the presentation of financial activity and results of operations which focus on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and non-operating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

CITRUS COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2015

Selected Highlights

- The District’s primary funding source is “State Apportionment Funding” received from the State of California through the California Community Colleges Chancellor’s Office. This funding is one component of the overall funding formula for California community colleges. The other three components are the Education Protection Account, local property taxes, and student enrollment fees. The student enrollment fee assessed to students was \$46 per unit for the year ending June 30, 2015. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). The College’s total apportionment eligible credit and non-credit FTES reported for the 2014-15 fiscal year was 11,117 and 330, respectively.



- The unrestricted general fund approved budget for 2014-15 assumed apportionment increases for enrollment restoration at 2.75% and a cost of living adjustment of 0.85%, generating a \$1 million increase to the budget. This allowed the college to offer 3% more full-time equivalent units for students.
- The District completed the following technology, construction and site improvement projects: Banner finance implementation, the air handling unit & LED lighting energy service project, the clean energy service project and the administration building remodel. In addition, the District made significant progress on the construction of the new Fine Arts Complex.
- Funding was also provided to enhance support to student success services and programs, student equity, disabled students programs & services, economic workforce development, scheduled maintenance & instructional equipment, and to partially offset mandated reimbursement claims.

CITRUS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Financial Statement Presentation and Basis of Accounting

The District's financial report includes three financial statements: The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. Additional information regarding these financial statements is provided on the following pages.

The financial statements noted above are prepared in accordance with Governmental Accounting Standards Board Statements No. 34 and 35 which provide an entity-wide perspective. Therefore, the financial data presented in these financial statements is a combined total of all District funds, including Student Financial Aid Programs and excluding the Associated Student Organization Fund (ASO) and the Student Representation Fee Trust Fund, which are displayed separately. The ASO Fund records amounts held on behalf of students, clubs, donors and departments for scholarships or fundraising. The Student Representation Fee Trust Fund is used to account for fees charged to students and used for student advocacy activities on behalf of the community colleges.

Also, in accordance with Governmental Accounting Standards Board Statements No. 34 and 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. A reconciliation between the fund balances reported on the June 30, 2015 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:

Unrestricted Fund Balance	\$ 11,146,470
Restricted Fund Balance	1,466,568
Bond Interest and Redemption Fund Balance	4,313,884
Capital Outlay Funds Balance	12,527,737
Measure G - Bond Construction Fund Balance	19,425,722
All Other Funds	<u>489,036</u>
 Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	 <u>\$ 49,369,417</u>

CITRUS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Annual Financial and Budget Report (CCFS-311)	\$ 49,369,417
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets, net of accumulated depreciation are added to total net assets.	121,485,583
Deferred outflows - pension contributions made during the fiscal year are removed from expenses and are recorded as a deferred outflow of resources. This amount will be recognized as a reduction of the net pension liability in the subsequent year.	4,104,450
Compensated absences and load banking are not due and payable in the current period and therefore are not reported in the governmental funds. The short term portion of compensated absences and load banking of \$607,011 is already recorded in the General Fund.	(1,182,399)
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.	(114,586,989)
Deferred charges on refunding debt are recorded as deferred outflows and are amortized over the life of the refunded debt.	7,752,056
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension liabilities.	(49,706,147)
Deferred inflows - pension costs 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 the difference between the estimated and actual return on pension plan investments. This amount is deferred and amortized over 5 years.	(13,893,414)
Amounts reserved for other post employment retirement plans in excess of annual required contributions is reported as a liability in the governmental funds. These amounts are recognized as assets which will apply against future required contributions.	7,525,175
Interest expense related to bonds incurred through June 30, 2015 is accrued as a current liability on the statement of net position which reduces the total net assets reported.	(1,285,814)
Amounts for 2014-15 property taxes levied for debt service not received as of June 30, 2015 are accrued on the statement of net position which increases the total net assets reported.	398,783
Total net position	<u>\$ 9,980,701</u>

CITRUS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Statement of Net Position

The Statement of Net Position presents the assets, liabilities and net position of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position is a point in time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current) and net position (assets minus liabilities).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Position provides a picture of the net position by category of availability.

The difference between total assets and total liabilities (net position) is one indicator of the current financial condition of the District. The change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The Net Position is divided into three major categories. The first category, invested in capital assets, provides the equity amount in property, plant and equipment owned by the District. The second category is expendable restricted net position. This net position is available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use. The final category, unrestricted net position, is available to the District for any lawful purpose of the District.

CITRUS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

The Statement of Net Position as of June 30, 2015 and 2014 is presented below:

	(in thousands)	
	<u>2015</u>	<u>2014*</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 17,641	\$ 12,555
Receivables	4,826	11,794
Inventory	969	1,344
Prepaid expenses	19	33
Total current assets	<u>23,455</u>	<u>25,726</u>
Non-current assets		
Restricted cash and cash equivalents	40,783	31,455
Other post-employment benefit asset	7,525	1,903
Capital assets, net of accumulated depreciation	121,486	117,770
Total non-current assets	<u>169,794</u>	<u>151,128</u>
Total assets	<u>193,249</u>	<u>176,854</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred charge on refunding	7,752	934
Deferred outflows - pension contribution	4,104	-
Total deferred outflow of resources	<u>11,856</u>	<u>934</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>205,105</u>	<u>177,788</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued interest payable	7,718	3,526
Accrued liabilities	3,720	3,123
Unearned revenue	3,711	2,039
Compensated absences - current portion	607	679
Bond payable - current portion	2,955	2,110
Due to fiduciary funds	-	1,028
Total current liabilities	<u>18,711</u>	<u>12,505</u>
Non-current liabilities		
Compensated absences	1,182	1,165
Net pension liabilities	49,706	-
Bond payable	111,632	97,864
Total non-current liabilities	<u>162,520</u>	<u>99,029</u>
Total liabilities	<u>181,231</u>	<u>111,534</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension costs	13,893	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>195,124</u>	<u>111,534</u>
NET POSITION		
Invested in capital assets, net	26,325	37,968
Restricted	17,421	11,847
Unrestricted	(33,765)	16,439
TOTAL NET POSITION	<u>\$ 9,981</u>	<u>\$ 66,254</u>

* Prior year amounts have not been restated for GASB Statements No. 68 and 71. See Note 12.

CITRUS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

- Approximately 99.8% of the cash balance is cash deposited in the Los Angeles County Treasury. The remaining balance consists of deposits with various financial institutions.
- The Governor's commitment to buying down the "Wall of Debt" has increased the district's cash position by 41%, by further reducing deferrals.
- On the flip side, receivables decreased by 59%. The 2014-15 budget package reduced apportionment deferrals from \$592 million down to \$94.5 million. For Citrus College this meant a reduction to apportionment receivables of \$6 million and a reduction to capital outlay receivables of \$0.8 million.
- The inventory value decreased by 28% in the form of books in the Bookstore totaling \$0.4 million. Unlike the 2013 summer term, the 2014 summer term began earlier and offered Friday/Saturday courses therefore depleting the bookstore inventory prior to June 30.
- Restricted cash and cash equivalents increased 30%. The bond interest and redemption fund had a net increase in fund balance of \$1.8 million primarily due to increased local revenue of \$1 million and decreased debt interest and other service charges of \$1 million. The capital outlay fund cash account increased by \$6.1 million primarily due to increases to state scheduled maintenance revenue by \$0.8 million, a reduction in expenses by \$0.6 million, a reduction in receivables by \$1 million, an increase in deferred revenue by \$1 million and an increase to other financing sources of \$2.7 million. Finally, the bond fund cash account had a net increase of \$1.3 million primarily due to the issuance of \$10 million in Series E bonds and the spending down of funds for the completion of the Banner finance implementation, the air handling unit & LED lighting energy service project, the clean energy service project and the administration building remodel. In addition, the District made significant progress on the construction of the new Fine Arts Complex.
- The net asset value of other post-employment benefits increased by \$5.6 million due to the transfer of District general funds set aside for the deposit into the irrevocable trust fund. As discussed in Note 9 – Post-Employment Health Care Benefits, the district has made a commitment to keep pace with the parameters of GASB Statement No. 45 and fund the liability over a period not to exceed thirty years.
- Current liabilities, accounts payable and accrued interest payable increased by \$4.1 million. The increase of \$2 million in the bond fund is attributed primarily to construction in progress on the Fine Arts Complex. The increase of \$2.1 million to the general fund is due to the timing of receipt of invoices and payment of bills.

CITRUS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

- Unearned revenue increased 82%. The \$0.7 million increase to the general fund is primarily due to the increased fees collected for summer 2014 and the deferral of special grant funds advanced to the District not earned in 2014-15. The \$1 million increase to the capital outlay fund was primarily due to the deferral of state scheduled maintenance funds advanced for projects in progress.
- The Bookstore did not borrow cash from the fiduciary funds during 2014-15, therefore Due to Fiduciary Funds is zero.
- As of June 30, 2015, the District implemented GASB Statements No. 68 and No. 71, and as a result, reported its proportionate share of the net pension liabilities, pension expense and deferred inflows of resources for the California State Teacher Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and deferred outflows of resources for CalSTRS and CalPERS. Please see Note 8 – Employee Retirement Plans.
- Non-current liabilities, bonds payable increased 14%. The college issued \$10 million in Measure G general obligation bonds on March 10, 2015 (Series E) to complete the projects delineated in the District's Educational and Facilities Master Plan. The bonds were issued as current interest bonds with interest rates ranging from 2.5% to 3.5%. Please see Note 6 for additional information.

CITRUS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Statement of Revenues, Expenses and Changes in Net Position

Change in total net position as presented on the Statement of Net Position is based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present the operating and non-operating revenues earned, whether received or not by the District, the operating and non-operating expenses incurred, whether paid or not by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this Statement presents the District's results of operations.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Non-operating revenues are those received or pledged for which goods and services are not provided; for example, state appropriations are non-operating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

CITRUS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

The Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2015 and 2014 is summarized below:

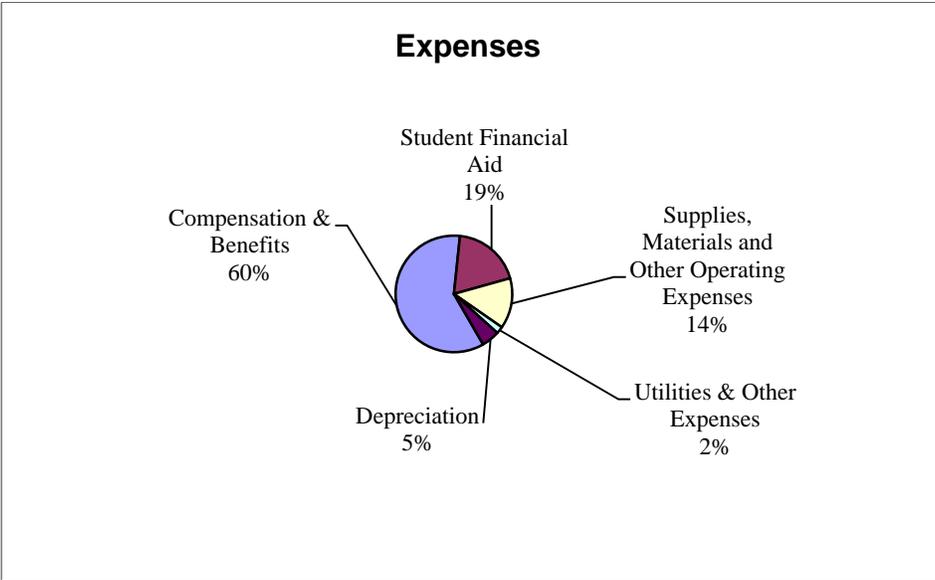
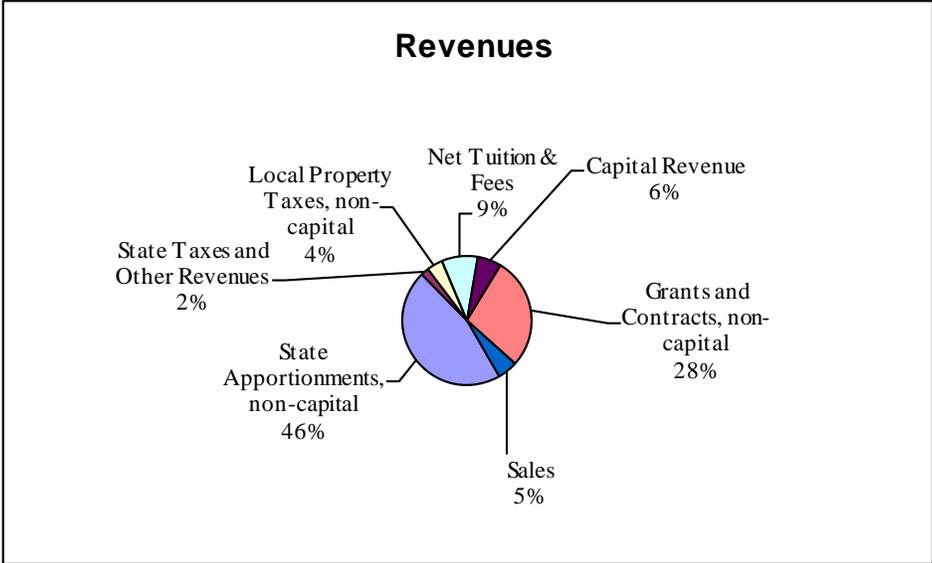
	(in thousands)	
	<u>2015</u>	<u>2014*</u>
Operating Revenues		
Net tuition and fees	\$ 9,683	\$ 9,112
Grants and contracts, non-capital	31,020	28,359
Sales	<u>4,748</u>	<u>4,862</u>
Total operating revenues	<u>45,451</u>	<u>42,333</u>
Total operating expenses	106,027	98,810
Operating loss	<u>(60,576)</u>	<u>(56,477)</u>
Non-operating revenues (expenses)		
State apportionments, non-capital	49,464	47,364
Local property taxes	4,770	4,495
State taxes and other revenues	2,759	2,167
Interest and investment income	166	151
Interest expense	(2,425)	(2,832)
Net transfers to fiduciary funds	<u>852</u>	<u>(189)</u>
Total non-operating revenues (expenses)	<u>55,586</u>	<u>51,156</u>
Other revenues, expenses, gains or losses		
Local property taxes and revenue, capital	5,885	5,343
State apportionments, capital	1,994	1,196
Loss on disposal of equipment, net of sales	(90)	15
Interest and investment income, capital	<u>196</u>	<u>75</u>
Total other revenues, expenses, gains or losses	<u>7,985</u>	<u>6,629</u>
Change in net position	<u>2,995</u>	<u>1,308</u>
Net position, beginning of year as previously reported	66,254	64,946
Cumulative effect of change in accounting principles	<u>(59,268)</u>	<u>-</u>
Net position, beginning of year after cumulative effect	<u>6,986</u>	<u>64,946</u>
Net position end of year	<u>\$ 9,981</u>	<u>\$ 66,254</u>

* Prior year amounts have not been restated for GASB Statements No. 68 and 71. See Note 12.

CITRUS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

- Operating revenues are regular income sources related to the normal business operations of the college. Net tuition and fees increased by \$0.6 million due to the increased course offerings made possible with the enrollment restoration dollars allocated to the district. Grants and contracts, non-capital increased by \$2.6 million due to increased state funding to categorical programs.
- State apportionments, non-capital increased \$2.1 million. This is attributable to the increase in Education Protection Act funding, resulting from the passage of Proposition 30 on November 6, 2012.
- State taxes and other revenues increased 27%. State lottery funds increased by \$0.5 million due primarily to the increased funded FTES of 754 and the rate increase by \$6. Also, the state mandated revenue increased by \$0.2 million due primarily to the increased FTES.
- During 2014-15, the District refunded its Measure G general obligation bonds series B & C, thus decreasing interest expense by 14%.
- During 2014-15, the Associated Students of Citrus College made a \$1 million commitment towards the future remodel of the campus center which is reflected in the net transfers to fiduciary funds account.
- Local property taxes and revenue, capital increased approximately \$0.5 million due to increased taxes received from secured voter indebtedness.
- State apportionments, capital increased by \$0.8 million primarily due to the State providing the district \$0.1 million to begin planning for Hayden Hall, \$0.1 million for scheduled maintenance, and \$0.6 million to fund clean energy projects.

CITRUS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015



CITRUS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Statement of Cash Flows

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

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash provided by the operating activities of the District. The second part details cash received for non-operating, non-investing and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

	(in thousands)	
	<u>2015</u>	<u>2014</u>
Cash provided by (used by)		
Operating activities	\$ (54,450)	\$ (50,928)
Non-capital financing activities	62,486	51,686
Capital and related financing activities	6,292	13,970
Investing activities	<u>86</u>	<u>167</u>
Net increase in cash and cash equivalents	14,414	14,895
Cash balance, beginning of year	<u>44,010</u>	<u>29,115</u>
Cash balance, end of year	<u>\$ 58,424</u>	<u>\$ 44,010</u>

- Net cash provided by non-capital financing activities increased by \$10.8 million. During the 2013 fiscal year the District borrowed \$10 million in the form of a 9 month tax revenue anticipation note to meet its financial obligations during the height of State deferrals imposed on California Community Colleges. The loan was repaid during the 2014 fiscal year and during the 2015 fiscal year the district did not need to borrow as it had sufficient cash flows to meet its financial obligations.
- Net cash provided by capital and related financing activities had an overall decrease of \$13 million. Four factors increased net cash by \$54 million: an increase of \$68 million in proceeds from bond issuance, net of premium and costs; an increase of \$3 million in state apportionment for capital purposes; an increase of \$1 million in principal and interest paid on capital related debt. Two factors decreased net cash by \$67 million: a decrease of \$9 million to net purchase and sale of capital assets and a decrease of \$58 million to deposit to bond repayment escrow agent.

CITRUS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, donors and departments for scholarships and fundraising. The District's fiduciary activities for the Associated Student Organization (ASO) and Student Representation Fee Trust Fund are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2015, the District had \$121.5 million invested in net capital assets. Total capital assets of \$200 million consist of land, buildings and building improvements (including capitalized interest), construction in progress, vehicles, data processing equipment and other office equipment. Accumulated depreciation related to these assets is \$78 million.

Capital additions primarily comprise replacement or renovation of facilities, site improvement projects as well as significant investments in equipment. The District's list of construction in progress includes the fine arts complex, phase 2 retro-commissioning energy service project, and the districtwide roofing project.

Note 5 to the financial statements provides additional information on capital assets. A summary of capital assets, net of depreciation, is presented below:

	(in thousands)	
	<u>2015</u>	<u>2014</u>
Land	\$ 1,057	\$ 1,057
Construction in progress	9,373	7,342
Land improvements	649	179
Site and site improvements	107,808	106,575
Equipment	<u>2,599</u>	<u>2,617</u>
Net capital assets	<u>\$ 121,486</u>	<u>\$ 117,770</u>

CITRUS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Debt Administration

On March 2, 2004, a General Obligation Bond was passed by the voters of the Citrus Community College District. The total authorization was \$121 million. The first series for \$22 million was issued on August 25, 2004 and was scheduled to mature on August 1, 2029. The second series for \$40 million was issued on April 10, 2007 and will mature on June 1, 2031. The third series for \$30 million was issued on June 10, 2009 and will mature on June 1, 2034. On April 24, 2013, the District issued 2004 Election, 2013 Refunding Bonds for \$13 million which will mature on August 1, 2029. The fourth series, for approximately \$19 million, was issued on June 11, 2015 and will mature on August 1, 2038. On March 10, 2015, the District issued General Obligation Refunding Bonds, 2015 Series A for \$49 million to refund certain portions of the District's General Obligation 2004 Election Bond, 2007 Series B and 2009 Series C. These bonds will mature on August 1, 2031. The District also issued the Series E (2015) Bonds in the amount of \$10 million, maturing on August 1, 2035. As of June 30, 2015, the District's long term debt related to the bonds equals \$112.8 million. The District maintains a bond rating of Aa2.

	(in thousands)	
	2015	2014*
Long-term debt		
General obligation bonds payable	\$ 114,587	\$ 99,974
Less current portion	(2,955)	(2,110)
Bond debt long-term portion	111,632	97,864
Net pension liability	49,706	65,158
Compensated absences	1,789	1,844
Total	\$ 163,127	\$ 164,866

* Prior year amounts have been adjusted due to the implementation of GASB Statements No. 68 and 71. See Note 12.

CITRUS COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2015

Economic Factors that May Affect the Future

As of June 30, 2015, the District ended the fiscal year with a healthy reserve due to prudent fiscal management in previous years. Due to the State’s improved fiscal condition, the District believes it is in good financial shape for the 2015-16 fiscal year. The funding priorities which guided the development of the District’s 2015-16 Adopted Budget were:

- Honor institutional planning priorities
- Ensure student access and completion in conjunction with established FTES targets
- Maintain a commitment to regular and permanent employee positions
- Support critical new hires and replacement of vacant positions - staffing
- Ensure compliance with state and federal regulations
- Maintain minimum required 5% budget reserve
- Completion of construction projects
- Maintain a multi-year fiscal planning perspective.

The District’s economic position is closely tied to that of the State, therefore, despite the State’s improved fiscal situation and the District’s good financial position for 2015-16, there is still concern for the budget uncertainties that remain for future budget years.

- Increases in the PERS and STRS employer contribution rates reaching 19.9% and 19.1%, respectively, by the fiscal year 2020-21, will have a significant impact on the District’s operations. The following table shows the corresponding rates and increases per year, as projected by School Services of California. The total cumulative cost impact to the District is estimated to be in excess of \$4.5 million for all funds of the District.

	2016-17	2017-18	2018-19	2019-20	2020-21
PERS Old Rate	11.847%	13.05%	16.60%	18.20%	19.90%
Est. Increase	1.203%	3.55%	1.6%	1.7%	Unknown
PERS New Rate	13.05%	16.60%	18.20%	19.90%	19.90%
STRS Old Rate	10.73%	12.58%	14.43%	16.28%	18.13%
Est. Increase	1.85%	1.85%	1.85%	1.85%	0.97%
STRS New Rate	12.58%	14.43%	16.28%	18.13%	19.1%

- Proposition 30, as approved by voters in November 2012 is temporary and will sunset over the next few years. The sales tax increase component of Proposition 30 will terminate on December 31, 2016, and the personal income tax increase component will terminate on December 31, 2018.

CITRUS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Management will continue to closely monitor the State budget information, maintain a close watch over resources, and continue monitoring its long-range financial projections to sustain the District's ability to react to internal and external issues.

Other than the concerns discussed above, the District is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, 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 any questions about this report or need any additional information, please contact the Vice President of Finance and Administrative Services, Citrus Community College District, 1000 West Foothill Boulevard, Glendora, CA 91741.

BASIC FINANCIAL STATEMENTS

CITRUS COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$ 17,641,175
Accounts receivable, net	4,825,853
Inventory	968,953
Prepaid expenses	19,045

Total current assets 23,455,026

Non-Current Assets

Restricted cash and cash equivalents	40,783,348
Other post-employment benefit asset	7,525,175
Capital assets, net	121,485,583

Total non-current assets 169,794,106

TOTAL ASSETS 193,249,132

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding	7,752,056
Deferred outflows - pension contributions	4,104,450

TOTAL DEFERRED OUTFLOWS OF RESOURCES 11,856,506

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$ 205,105,638

LIABILITIES

Current Liabilities

Accounts payable	\$ 6,431,742
Accrued interest payable	1,285,814
Accrued liabilities	3,720,196
Unearned revenue	3,711,225
Compensated absences - current portion	607,011
Bond payable - current portion	2,955,000

Total current liabilities 18,710,988

Non-Current Liabilities

Compensated absences	1,182,399
Net pension liabilities	49,706,147
Bond payable	111,631,989

Total non-current liabilities 162,520,535

TOTAL LIABILITIES 181,231,523

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pension costs	13,893,414
----------------------------------	------------

TOTAL DEFERRED INFLOWS OF RESOURCES 13,893,414

NET POSITION

Invested in capital assets, net of related debt	26,324,316
Restricted for:	
Capital projects	12,527,737
Debt service payments	3,426,853
Other special services	1,466,569
Unrestricted	<u>(33,764,774)</u>

TOTAL NET POSITION 9,980,701

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND NET POSITION** \$ 205,105,638

See the accompanying notes to the financial statements.

CITRUS COMMUNITY COLLEGE DISTRICT

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

OPERATING REVENUES	
Tuition and fees (gross)	\$ 18,763,782
Less: Scholarship discounts & allowances	(9,080,524)
Net tuition and fees	<u>9,683,258</u>
Grants and contracts, non-capital:	
Federal	20,564,551
State	8,659,870
Local	1,795,347
Sales	<u>4,747,562</u>
TOTAL OPERATING REVENUES	<u>45,450,588</u>
OPERATING EXPENSES	
Salaries	45,887,668
Employee benefits	17,313,027
Supplies, materials and other operating expenses and services	16,760,281
Financial aid	19,549,747
Utilities	1,636,002
Depreciation	<u>4,880,508</u>
TOTAL OPERATING EXPENSES	<u>106,027,233</u>
OPERATING LOSS	<u>(60,576,645)</u>
NON-OPERATING REVENUES (EXPENSES)	
State apportionments, non-capital	49,463,791
Local property taxes	4,770,321
State taxes and other revenue	2,759,339
Interest and investment income	166,066
Interest expense	(2,424,688)
Transfers from fiduciary funds	<u>851,776</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>55,586,605</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	<u>(4,990,040)</u>
OTHER REVENUES, EXPENSES, GAINS AND LOSSES	
Local property taxes and revenue, capital	5,885,491
State apportionments, capital	1,993,899
Loss on disposal of equipment, net of sales	(90,337)
Interest and investment income, capital	<u>196,318</u>
TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES	<u>7,985,371</u>
CHANGE IN NET POSITION	<u>2,995,331</u>
NET POSITION, BEGINNING OF YEAR AS PREVIOUSLY REPORTED	66,254,009
Cumulative effect of change in accounting principles (see note 12)	<u>(59,268,639)</u>
NET POSITION, BEGINNING OF YEAR AFTER CUMULATIVE EFFECT	<u>6,985,370</u>
NET POSITION, END OF YEAR	<u><u>\$ 9,980,701</u></u>

See the accompanying notes to the financial statements.

CITRUS COMMUNITY COLLEGE DISTRICT

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

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 9,975,585
Federal grants and contracts	20,762,181
State grants and contracts	7,251,805
Local grants and contracts	3,263,346
Sales	4,830,292
Payments to suppliers	(14,834,967)
Payments to/on-behalf of employees	(65,580,988)
Payments to/on-behalf of students	<u>(20,117,526)</u>
Net cash used by operating activities	<u>(54,450,272)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State apportionments and receipts	55,832,398
Property taxes	4,770,321
Grants and gifts for other than capital purposes	2,059,679
Interfund borrowing from fiduciary fund	(1,027,696)
Transfers from fiduciary funds	<u>851,776</u>
Net cash provided by non-capital financing activities	<u>62,486,478</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State apportionment for capital purposes	2,925,074
Net purchase and sale of capital assets	(8,876,055)
Interest on investments, capital funds	68,387
Local revenue for capital purposes	5,885,491
Principal and interest paid on capital related debt	(4,246,445)
Proceeds from bond issuance, net of premium and costs	68,371,992
Deposit to bond repayment escrow agent	<u>(57,836,684)</u>
Net cash provided by capital and related financing activities	<u>6,291,760</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>86,432</u>
Net cash provided by investing activities	<u>86,432</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 14,414,398

CASH BALANCE - Beginning of Year 44,010,125

CASH BALANCE - End of Year \$ 58,424,523

See the accompanying notes to the financial statements.

CITRUS COMMUNITY COLLEGE DISTRICT

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

**Reconciliation of Operating Loss to
Net Cash Used by Operating Activities**

CASH USED BY OPERATING ACTIVITIES

Operating loss	\$ (60,576,645)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	4,880,508
Changes in assets and liabilities:	
Receivables, net	655,122
Inventory	374,927
Prepaid expenses	14,479
Deferred outflows - pension contributions	(261,611)
Accounts payable	2,615,845
Accrued liabilities	1,363,654
Net pension liabilities	(13,405,330)
Unearned revenue	1,671,780
Compensated absences	(54,396)
Post-employment retiree benefits	(5,622,018)
Deferred inflows - pension costs	<u>13,893,413</u>
Net cash used by operating activities	<u>\$ (54,450,272)</u>
Breakdown of ending cash balance:	
Cash and cash equivalents	\$ 17,641,175
Restricted cash and cash equivalents	<u>40,783,348</u>
Total	<u>\$ 58,424,523</u>

See the accompanying notes to the financial statements.

CITRUS COMMUNITY COLLEGE DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2015**

	Associated Student Organization	Student Representation Fee Trust
ASSETS		
Cash and cash equivalents	\$ 2,505,273	\$ 37,585
Accounts receivable	15,507	1,546
Prepaid expenses	1,190	
TOTAL ASSETS	2,521,970	39,131
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension contributions	18,631	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	18,631	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,540,601	\$ 39,131
LIABILITIES		
Current Liabilities		
Accounts payable	72,040	172
Amounts held for others	1,575,991	
Unearned revenue	42,574	86
Total current liabilities	1,690,605	258
Non-Current Liabilities		
Net pension liabilities	172,102	
Total non-current liabilities	172,102	-
TOTAL LIABILITIES	1,862,707	258
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension costs	59,131	
TOTAL DEFERRED INFLOWS OF RESOURCES	59,131	-
NET POSITION		
Unrestricted	618,763	38,873
TOTAL NET POSITION	618,763	38,873
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 2,540,601	\$ 39,131

See the accompanying notes to the financial statements.

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

	Associated Student Organization	Student Representation Fee Trust
ADDITIONS		
Interest and investment income	\$ 15,176	\$
Student fees	441,587	26,135
Other local revenues	7,871	250
TOTAL ADDITIONS	464,634	26,385
DEDUCTIONS		
Classified salaries	228,622	
Employee benefits	66,822	
Supplies and materials	62,325	2,631
Other operating expenses and services	162,150	10,142
Capital outlay	45,000	
TOTAL DEDUCTIONS	564,919	12,773
Excess (Deficiency) of additions over deductions	(100,285)	13,612
OTHER SOURCES (USES)		
Other student aid	(13,938)	
Transfers to governmental funds	(849,946)	(1,830)
TOTAL OTHER SOURCES (USES)	(863,884)	(1,830)
CHANGES IN NET POSITION	(964,169)	11,782
NET POSITION, BEGINNING OF YEAR AS PREVIOUSLY REPORTED	1,798,880	27,091
Cumulative effect of change in accounting principles (see note 12)	(215,948)	
NET POSITION, BEGINNING OF YEAR AFTER CUMULATIVE EFFECT	1,582,932	27,091
NET POSITION, END OF YEAR	\$ 618,763	\$ 38,873

See the accompanying notes to the financial statements.

CITRUS COMMUNITY COLLEGE DISTRICT

**STATEMENT OF OTHER POST-EMPLOYMENT BENEFITS PLAN NET POSITION
For the Fiscal Year Ended June 30, 2015**

	Retiree (OPEB) Trust
ASSETS	
Investments	\$ 11,499,137
Interest receivable	<u>17,922</u>
TOTAL ASSETS	<u>\$ 11,517,059</u>
NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS	<u>\$ 11,517,059</u>

See the accompanying notes to the financial statements.

CITRUS COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGES IN OTHER POST-EMPLOYMENT BENEFITS PLAN
NET POSITION**

For the Fiscal Year Ended June 30, 2015

	Retiree (OPEB) Trust
ADDITIONS	
Contributions	\$ 5,934,720
Interest and investment income, net of fees	118,923
Net realized and unrealized losses	(91,404)
TOTAL ADDITIONS	<u>5,962,239</u>
DEDUCTIONS	
Administrative expenses	<u>54,876</u>
TOTAL DEDUCTIONS	<u>54,876</u>
Change in net position	5,907,363
NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS, BEGINNING OF YEAR	<u>5,609,696</u>
NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS, END OF YEAR	<u>\$ 11,517,059</u>

See the accompanying notes to the financial statements.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. 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 GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*.

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

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

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

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

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

A. REPORTING ENTITY (continued)

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

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

Futuris Public Entity Investment 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. The Citrus Community College Retirement Board of Authority retains the responsibility to oversee the management of the Trust, including the Benefit Trust Company's 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 roll is to preserve capital, then maintain secondary responsibilities for investment liquidity and thirdly, to investment yield. As such, the Citrus Community College Retirement Board of Authority acts as the Fiduciary of the Trust. The financial activity of the Trust has been discreetly presented. Separate financial statements are not prepared for the Trust.

Based upon the application of the criteria listed above, the following potential component unit has been excluded from the District's reporting entity:

The Citrus College Foundation - The Foundation is a separate not-for-profit corporation created for the benefit of the District and its students and organized for educational purposes. The Foundation is not included as a Component Unit because the third criterion was not met; the economic resources received and held by the Foundation are not significant to the District. Separate financial statements for the Foundation can be obtained through the District.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

B. FINANCIAL STATEMENT PRESENTATION

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

The District operates a Warrant Pass-Through agency fund as a holding account for amounts collected from employees for Federal taxes, State taxes and other contributions. The District had cash in the County Treasury amounting to \$(75,185) on June 30, 2015, which represents withholdings receivable. The Warrant Pass-Through Fund is not reported in the basic financial statements.

C. BASIS OF ACCOUNTING

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

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

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

C. BASIS OF ACCOUNTING

The statements of plan net position and changes in plan net position of the other post-employment benefits 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 Governing Board must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP).

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

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

C. BASIS OF ACCOUNTING (continued)

1. Cash and Cash Equivalents

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

2. Accounts Receivable

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 grants and contracts. All material receivables for grants and contracts are considered fully collectible.

Accounts receivable from students for tuition and fees are recorded at gross amounts. Bad debts are accounted for by the direct write-off method for student receivables, which is not materially different from the allowance method.

3. Investments

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

4. Inventories

Inventories are presented at cost on an average basis and are expensed when used. Inventory consists of items held for resale in the bookstore, Owl Café, and Golf Driving Range Pro Shop.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

C. BASIS OF ACCOUNTING (continued)

5. Prepaid Expenses

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

6. Restricted Cash and Cash Equivalents

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

7. Capital Assets

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

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded as an operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line by month method over the estimated useful lives of the assets, generally 10-50 years for buildings and building and land improvements, 5-7 years for equipment and vehicles and 3-7 years for technology.

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.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

C. BASIS OF ACCOUNTING (continued)

8. Deferred Outflows of Resources

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

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

Deferred outflows – pension contributions: 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. These amounts will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

9. 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.

10. Unearned Revenue

Cash received for summer student enrollment fees, 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.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

C. BASIS OF ACCOUNTING (continued)

11. 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 and within the constraints of the appropriate retirement systems.

12. 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.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

C. BASIS OF ACCOUNTING (continued)

13. Due to Fiduciary Funds

Due to Fiduciary funds consists of interfund borrowings between Governmental funds.

14. Long-Term Obligations

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

15. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources – pensions, results from the difference between the estimated and actual return on pension plan investments. This amount is deferred and amortized over 5 years.

16. Net Position

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

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

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

C. BASIS OF ACCOUNTING (continued)

16. Net Position (continued)

Restricted net position – non-expendable: Non-expendable restricted net position consist 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 – non-expendable.

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.

17. State Apportionments

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

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

18. 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. 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 recognized for property taxes due to the fact that any receivable is offset by a payable to the State for apportionment purposes. Property taxes for debt service purposes have been accrued in the financial statements.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

C. BASIS OF ACCOUNTING (continued)

19. 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.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as State apportionments, taxes, investment income, and other revenue sources that are defined as non-operating revenues by GASB.

20. 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 position. 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 non-governmental 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.

21. 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.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS:

A. Deposits

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a district will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2015, \$965,320 of the District's bank balance of \$1,274,936 is not covered by the Federal Deposit Insurance Corporation (FDIC). However, the District's main banking institution has confirmed that none of the District's deposits that exceed the FDIC limit are exposed to custodial credit risk.

Cash in County

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. These pooled funds are carried at unamortized cost which approximates fair value. Fair value at June 30, 2015, as provided by the pool sponsor, was approximately 99.8% of cost.

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

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS: (continued)

B. Investments

Investments held by the Futuris Public Entity Investment Trust (the Trust) are limited to those within the terms of the trust agreement, any applicable plan documents and in accordance with California Government Code Section 53620 through 53622. The Trust did not violate any provisions of the investment policy during the fiscal year ended June 30, 2015.

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

<u>Investment</u>	<u>Fair Value</u>
Common Stock Mutual Funds	\$3,753,776
Fixed Income Mutual Funds	<u>7,745,561</u>
	<u>\$11,499,137</u>

Interest Rate Risk

Interest risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Trust does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

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

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS: (continued)

B. Investments (continued)

Concentration of Credit Risk

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

NOTE 3 - ACCOUNTS RECEIVABLE:

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

Federal and State	\$ 3,354,680
Debt service property tax	398,783
Tuition and fees	383,005
Miscellaneous	<u>689,385</u>
Total	<u>\$ 4,825,853</u>

NOTE 4 - 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 interfund activity is transacted after the close of the fiscal year. Interfund activity has been eliminated in the basic financial statements, except for transactions occurring between governmental funds and fiduciary funds.

CITRUS COMMUNITY COLLEGE DISTRICT

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

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION:

Capital asset activity for the year ended June 30, 2015 is shown below.

	Balance			Balance
	June 30, 2014	Additions	Reductions	June 30, 2015
Non-depreciable assets:				
Land	\$ 1,057,317	\$	\$	\$ 1,057,317
Construction in progress	<u>7,342,040</u>	<u>8,054,908</u>	<u>6,023,696</u>	<u>9,373,252</u>
Total non-depreciated assets:	<u>8,399,357</u>	<u>8,054,908</u>	<u>6,023,696</u>	<u>10,430,569</u>
Depreciable assets:				
Land improvements	6,282,427	526,169		6,808,596
Site and site improvements	160,219,974	5,574,132	278,500	165,515,606
Equipment	<u>16,665,107</u>	<u>562,688</u>	<u>135,482</u>	<u>17,092,313</u>
Total depreciable assets:	<u>183,167,508</u>	<u>6,662,989</u>	<u>413,982</u>	<u>189,416,515</u>
Less accumulated depreciation for:				
Land improvements	6,103,773	55,412		6,159,185
Site and site improvements	53,645,496	4,340,961	278,500	57,707,957
Equipment	<u>14,047,714</u>	<u>484,135</u>	<u>37,490</u>	<u>14,494,359</u>
Total accumulated depreciation	<u>73,796,983</u>	<u>4,880,508</u>	<u>315,990</u>	<u>78,361,501</u>
Total depreciable assets, net	<u>109,370,525</u>	<u>1,782,481</u>	<u>97,992</u>	<u>111,055,014</u>
Governmental capital assets, net	<u>\$ 117,769,882</u>	<u>\$ 9,837,389</u>	<u>\$ 6,121,688</u>	<u>\$ 121,485,583</u>

Total interest cost incurred for the year ended June 30, 2015 was \$2,646,356. Interest cost capitalized was \$221,668 and interest revenue used to offset interest cost in determining the amount to be capitalized was \$136,337.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 6 – BONDS PAYABLE:

On March 2, 2004 the District voters authorized the issuance and sale of General Obligation Bonds totaling \$121,000,000. The proceeds of such bonds are to be used for acquisition, construction, furnishing, and equipping of District facilities. Bonds are issued through the County of Los Angeles.

On August 25, 2004 the District offered for sale \$22,000,000 in General Obligation 2004 Election Series A (2004) Bonds. The bonds were issued as current interest bonds and contain an interest provision ranging from 2.5 percent to 5 percent, depending on the maturity date of the bond. During 2012-13, this debt was fully defeased with the 2013 refunding.

On April 10, 2007 the District offered for sale \$40,000,000 in General Obligation 2004 Election Series B (2007) Bonds. The bonds were issued as current interest bonds and contain an interest provision ranging from 4.25 percent to 5 percent, depending on the maturity date of the bond. During 2014-15, this debt was partially defeased with the 2015 refunding.

On June 10, 2009 the District offered for sale \$29,995,301 in General Obligation 2004 Election Series C (2009) Bonds. The bonds were issued as current interest bonds in the aggregate principal amount of \$26,405,000 and capital appreciation bonds in the aggregate amount of \$3,590,301. These bonds contain an interest provision ranging from 3 percent to 5.25 percent depending on the maturity date of the bond. During 2014-15, this debt was partially defeased with the 2015 refunding.

The capital appreciation bonds were issued with maturity dates of June 1, 2032 through June 1, 2034. Prior to the applicable maturity date, each bond will accrete interest on the principal component. During 2014-15, accreted interest was in-substance defeased with the 2015 refunding.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 6 – BONDS PAYABLE: (continued)

On April 24, 2013 the District issued 2004 Election, 2013 Refunding Bonds Series 2013 for \$13,130,000 of current interest bonds. The bond was issued to refund the remaining portion of Series A (2004) bonds. The interest rate ranges from 2 to 5 percent, depending on the maturity date of the bond, and is payable semiannually on February 1 and August 1.

The proceeds associated with the 2013 refunding were placed into an irrevocable escrow account for future repayment. The outstanding balance of the defeased debt was paid by the escrow agent on August 1, 2014 and is considered fully defeased.

The difference between the reacquisition price and the net carrying amount of the refunded debt is deferred and amortized as a component of interest expense over the life of the next debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$992,008. Amortization of \$58,358 was recognized during the 2014-15 year.

On June 11, 2014 the District offered for sale \$18,997,251 in General Obligation 2004 Election Series D (2014) Bonds. The bonds were issued as current interest bonds in the aggregate principal amount of \$620,000, capital appreciation bonds in the aggregate amount of \$6,750,369 and convertible capital appreciation bonds in the amount of \$11,626,882. These bonds contain an interest provision ranging from 2 percent to 5 percent, depending on the maturity date of the bond, and interest is payable semiannually on February 1 and August 1.

The capital appreciation bonds were issued with maturity dates of August 1, 2017 through August 1, 2032. The convertible capital appreciation bonds will convert to current interest bonds on February 1, 2023. Prior to the applicable maturity date, each bond will accrete interest on the principal component. At June 30, 2015, \$521,869 in accreted interest has been accrued and included in long-term debt.

On March 10, 2015, the District offered for sale \$10,005,000 in General Obligation 2004 Election Series E (2015) Bonds. The bonds were issued as current interest bonds and contain an interest provision ranging from 2.5 percent to 3.5 percent, depending on the maturity date of the bond, and interest is payable semiannually on February 1 and August 1.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 6 – BONDS PAYABLE: (continued)

On March 10, 2015 the District issued General Obligation Refunding Bonds, 2015 Series A for \$48,685,000 of current interest bonds. The bond was issued together with the Series E (2015) Bonds to refund certain portions of the District’s General Obligation 2004 Election Bonds, 2007 Series B and 2009 Series C. The interest rate ranges from 2 percent to 5 percent depending on the maturity date of the bond, and interest is payable semiannually on February 1 and August 1.

The proceeds associated with the refunding were placed into an irrevocable escrow account for future repayment. The cash flow savings from the refunding is \$5,299,941 and the present value of the economic gain to the District and taxpayers is \$4,376,846. The outstanding balance of the defeased debt, to be paid by the escrow agent, of \$50,960,000 has an expected redemption date of June 1, 2017 for the Series B Bonds and June 1, 2019 for the series C Bonds. The refunded bonds are considered in-substance defeased and are not recorded on the financial statements.

The difference between the reacquisition price and the net carrying amount of the refunded debt is deferred and amortized as a component of interest expense over the life of the next debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$5,094,496. No amortization was recognized during the 2014-15 year.

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

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2014</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2015</u>
8/25/2004 A	2.5 - 5.0%	8/1/2029	\$ 22,000,000	\$	\$	\$	\$
4/10/2007 B	4.25 - 5.0%	6/1/2031	40,000,000	32,965,000		30,215,000	2,750,000
6/10/2009 C	3.0 - 5.25%	6/1/2034	29,995,301	29,610,301		22,505,000	7,105,301
4/24/2013 *	2.0 - 5.0%	8/1/2029	13,130,000	12,670,000		350,000	12,320,000
6/11/2014 D	2.0 - 5.0%	8/1/2038	18,997,251	18,997,251			18,997,251
3/10/2015 E	2.5 - 3.5%	8/1/2035	10,005,000		10,005,000		10,005,000
3/10/2015 *	2.0 - 5.0%	8/1/2031	48,685,000		48,685,000		48,685,000
				<u>\$94,242,552</u>	<u>\$58,690,000</u>	<u>\$53,070,000</u>	<u>\$ 99,862,552</u>

(*) Refunding Series 2013 - Refunded the outstanding Series A (2004) bonds.

Refunding Series 2015A - Refunded portions of the Series B (2007) and Series C (2009) bonds.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 6 – BONDS PAYABLE: (continued)

A. Series B:

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

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,340,000	\$ 137,500	\$ 1,477,500
2017	1,410,000	70,500	1,480,500
Totals	<u>\$ 2,750,000</u>	<u>\$ 208,000</u>	<u>\$ 2,958,000</u>

B. Series C:

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

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Accreted</u> <u>Interest</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 700,000	\$	\$ 163,762	\$ 863,762
2017	775,000		135,761	910,761
2018	935,000		104,762	1,039,762
2019	1,105,000		58,011	1,163,011
2020				-
2021-2025				-
2026-2030				-
2031-2034	<u>3,590,301</u>	<u>14,684,698</u>		<u>18,274,999</u>
Totals	<u>\$ 7,105,301</u>	<u>\$ 14,684,698</u>	<u>\$ 462,296</u>	<u>\$ 22,252,295</u>

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 6 – BONDS PAYABLE: (continued)

C. Refunding Series 2013:

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

Year Ended June 30	Principal	Interest	Total
2016	\$ 355,000	\$ 535,975	\$ 890,975
2017	440,000	524,050	964,050
2018	615,000	508,225	1,123,225
2019	670,000	485,600	1,155,600
2020	700,000	458,200	1,158,200
2021-2025	4,110,000	1,814,475	5,924,475
2026-2030	5,430,000	698,975	6,128,975
Totals	<u>\$ 12,320,000</u>	<u>\$ 5,025,500</u>	<u>\$ 17,345,500</u>

D. Series D:

The annual requirements to amortize Series 2014 Series D bonds payable, outstanding as of June 30, 2015, are as follows:

Year Ended June 30	Principal	Accreted Interest	Interest	Total
2016	\$ 60,000	\$	\$ 24,031	\$ 84,031
2017			19,900	19,900
2018	19,155	845	19,900	39,900
2019	67,670	7,330	19,900	94,900
2020	154,023	20,977	19,900	194,900
2021-2025	1,851,186	388,814	1,371,975	3,611,975
2026-2030	2,742,815	2,052,185	4,316,250	9,111,250
2031-2035	4,991,332	4,073,668	4,226,500	13,291,500
2036-2039	9,111,070	4,473,930	1,739,750	15,324,750
Totals	<u>\$ 18,997,251</u>	<u>\$ 11,017,749</u>	<u>\$ 11,758,106</u>	<u>\$ 41,773,106</u>

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 6 – BONDS PAYABLE: (continued)

E. Series E:

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

Year Ended			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$	\$ 329,762	\$ 329,762
2017		394,400	394,400
2018	200,000	391,900	591,900
2019		389,400	389,400
2020		389,400	389,400
2021-2025	230,000	1,944,125	2,174,125
2026-2030	1,775,000	1,838,464	3,613,464
2031-2035	6,550,000	817,498	7,367,498
2036	<u>1,250,000</u>	<u>21,875</u>	<u>1,271,875</u>
Totals	<u>\$10,005,000</u>	<u>\$ 6,516,824</u>	<u>\$16,521,824</u>

F. Refunding Series 2015A:

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

Year Ended			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 500,000	\$ 801,440	\$ 1,301,440
2017		2,374,450	2,374,450
2018		2,374,450	2,374,450
2019	1,310,000	2,374,450	3,684,450
2020	1,440,000	2,322,050	3,762,050
2021-2025	15,700,000	9,857,800	25,557,800
2026-2030	20,690,000	5,429,500	26,119,500
2031-2032	<u>9,045,000</u>	<u>683,750</u>	<u>9,728,750</u>
Totals	<u>\$48,685,000</u>	<u>\$26,217,890</u>	<u>\$74,902,890</u>

CITRUS COMMUNITY COLLEGE DISTRICT

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

NOTE 7 - LONG-TERM DEBT:

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

Governmental	Balance July 1, 2014*	Additions	Deletions	Balance June 30, 2015	Amounts Due in One Year
Bonds payable					
Series B	\$ 32,965,000	\$	\$ 30,215,000	\$ 2,750,000	\$ 1,340,000
Series C	29,610,301		22,505,000	7,105,301	700,000
Refunding Series 2013	12,670,000		350,000	12,320,000	355,000
Series D	18,997,251			18,997,251	60,000
Series E		10,005,000		10,005,000	
Refunding Series 2015A		48,685,000		48,685,000	500,000
Total bonds payable	<u>94,242,552</u>	<u>58,690,000</u>	<u>53,070,000</u>	<u>99,862,552</u>	<u>2,955,000</u>
Unamortized bond premiums					
Series B	1,362,944		1,192,577	170,367	
Series C	868,440		694,752	173,688	
Refunding Series 2013	2,070,608		129,413	1,941,195	
Series E		597,924		597,924	
Refunding Series 2015A		9,537,206		9,537,206	
Total unamortized bond premiums	<u>4,301,992</u>	<u>10,135,130</u>	<u>2,016,742</u>	<u>12,420,380</u>	<u>-</u>
Accreted Interest					
Series C	1,429,382	352,806		1,782,188	
Series D		521,869		521,869	
Total accreted interest	<u>1,429,382</u>	<u>874,675</u>	<u>-</u>	<u>2,304,057</u>	<u>-</u>
Total bonded debt	<u>99,973,926</u>	<u>69,699,805</u>	<u>55,086,742</u>	<u>114,586,989</u>	<u>2,955,000</u>
Net pension liability	63,111,477		13,405,330	49,706,147	
Compensated absences	1,843,806		54,396	1,789,410	607,011
Total	<u>\$ 164,929,209</u>	<u>\$ 69,699,805</u>	<u>\$ 68,546,468</u>	<u>\$ 166,082,546</u>	<u>\$ 3,562,011</u>
Fiduciary	Balance July 1, 2014*	Additions	Deletions	Balance June 30, 2015	Amounts Due in One Year
Net pension liability	\$ 234,159	\$	\$ 62,057	\$ 172,102	\$
Total	<u>\$ 234,159</u>	<u>\$ -</u>	<u>\$ 62,057</u>	<u>\$ 172,102</u>	<u>\$ -</u>

* Prior year amounts have been adjusted due to the implementation of GASB Statements No. 68 and No. 71. See note 12.

Liabilities for compensated absences, pension liabilities, and OPEB obligations are liquidated by the governmental fund in which associated salaries are reported. 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.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT PLANS:

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

As of June 30, 2015, the District implemented GASB Statements No. 68 and No. 71, and as a result, reported its proportionate share of the net pension liabilities, pension expense, deferred inflows of resources and deferred outflows of resources for each of the retirement plans is as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS (STRP)	\$ 32,724,720	\$ 2,265,939	\$ 8,058,400	\$ 2,825,200
CalPERS (Schools Pool Plan)	<u>17,153,529</u>	<u>1,857,142</u>	<u>5,894,145</u>	<u>1,524,598</u>
Totals	<u>\$ 49,878,249</u>	<u>\$ 4,123,081</u>	<u>\$ 13,952,545</u>	<u>\$ 4,349,798</u>

CalPERS data reported as "District" is inclusive of the District and the Associated Student Organization.

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT PLANS: (continued)

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

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

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

	<u>STRP Defined Benefit Program and Supplement Program</u>	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT PLANS: (continued)

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

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2015 are presented above and the total District contributions were \$2,265,939.

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

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

District proportionate share of net pension liability	\$ 32,724,720
State's proportionate share of the net pension liability associated with the District	<u>19,760,797</u>
Total	<u><u>\$ 52,485,517</u></u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2014, the District's proportion was 0.0560%.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT PLANS: (continued)

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

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

For the year ended June 30, 2015, the District recognized pension expense of \$2,825,200 and revenue of \$1,705,995 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,265,939	\$
Net differences between projected and actual earnings on plan investments		8,058,400
Total	\$ 2,265,939	\$ 8,058,400

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, 2016. The deferred inflows of resources are amortized over a closed 5-year period. The remaining amount will be recognized as pension expense as follows:

Year Ended June 30	Amortization
2016	\$ 2,014,600
2017	2,014,600
2018	2,014,600
2019	2,014,600
	\$ 8,058,400

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT PLANS: (continued)

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

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting an actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop an expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT PLANS: (continued)

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

Actuarial Methods and Assumptions (continued)

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

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.60%)	\$ 51,009,280
Current discount rate (7.60%)	32,724,720
1% increase (8.60%)	17,478,720

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT PLANS: (continued)

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

Plan Fiduciary Net Position

Detailed information about 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.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

Benefits Provided (continued)

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

	<u>School Employer Pool (CalPERS)</u>	
	<u>On or Before December 31, 2012</u>	<u>On or after January 1, 2013</u>
Hire date		
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	6.974%	6.000%
Required employer contribution rate	11.771%	11.771%

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, 2015 are as presented above and the total District contributions were \$1,857,142.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$17,153,529. The net pension liability was measured as of June 30, 2014. The total pension liability for CalPERS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013 and rolling forward the total pension liability to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.1511%.

For the year ended June 30, 2015, the District recognized pension expense of \$1,524,598. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,857,142	\$
Net differences between projected and actual earnings on plan investments		5,894,145
Total	\$ 1,857,142	\$ 5,894,145

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, 2016. The deferred inflows of resources are amortized over a closed 5-year period. The pension expense to be recognized in subsequent years is as follows:

	Year Ended
	June 30
	Amortization
2016	\$ 1,473,537
2017	1,473,536
2018	1,473,536
2019	1,473,536
	\$ 5,894,145

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions

Total pension liability for the School Employer Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013 used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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

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

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.50%)	\$ 30,091,206
Current discount rate (7.50%)	17,153,529
1% increase (8.50%)	6,342,796

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.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS:

Plan Description and Eligibility

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides health, dental and vision benefits to eligible retirees and their spouses in accordance with provisions established through negotiations between the District and the bargaining unions representing employees. Eligibility requirements vary by employee classification. The length of coverage depends on total years of service to the College. The District offers a second retirement option of \$2,500 cash in-lieu of health benefits maximum per year which is offered as a lifetime benefit. Plan provisions are subject to renegotiations each three-year bargaining period. The District has established an irrevocable trust to fund future benefits which is reported as a component unit in these financial statements and no separate financial report is prepared. The annual cost and future obligation associated with the cash in-lieu plan has not been recorded and is not included in the disclosures below as it is not considered significant to the financial statements.

Membership in the health benefits plan consisted of the following at May 1, 2014, the date of the latest actuarial valuation.

Retirees and beneficiaries receiving benefits	58
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>386</u>
Total plan members	<u>444</u>

Funding Policy

The District contributed \$1,152,858 toward benefits on a pay-as-you-go basis. The District contributes 100 percent of the cost of current year premiums for eligible retired plan members and their spouses as applicable; therefore, there are no member contributions. In addition, the District transferred \$5,934,720 from the General Fund to the OPEB Trust in June 2015.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (ARC)	\$ 1,473,491
Interest on net OPEB obligation	(114,189)
Adjustment to annual required contribution	<u>106,258</u>
Annual OPEB cost (expense)	1,465,560
Contributions made	<u>(7,087,578)</u>
Change in net OPEB obligation	(5,622,018)
Net OPEB asset - beginning of year	<u>(1,903,157)</u>
Net OPEB asset - end of year	<u><u>\$ (7,525,175)</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB asset for the three previous fiscal years are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Asset</u>
6/30/2013	\$ 1,338,523	98.5%	\$ (709,836)
6/30/2014	1,470,533	181.1%	(1,903,157)
6/30/2015	1,465,560	483.6%	(7,525,175)

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS: (continued)

Funding Status and Funding Progress

As of May 1, 2014, the most recent actuarial valuation date, the plan was 39.9% funded. The actuarial accrued liability for benefits was \$13,971,381, and the unfunded actuarial accrued liability (UAAL) was \$8,392,157. The covered payroll (annual payroll of active employees covered by the plan) was \$31,578,968, and the ratio of the UAAL to the covered payroll was 26.6%. In fiscal year 2007, the District established an irrevocable trust administered by Citrus Community College District Retiree (OPEB) Trust. The market value of plan assets is \$11,517,059 as of June 30, 2015. In addition to plan assets, the District has set aside \$316,071 in the General Fund and \$833,438 in the SCCCD JPA. The required schedule of employer contributions presents trend information about the amounts contributed to the plan by employers in comparison to the annual required contribution (ARC).

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

Actuarial Methods and Assumptions

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

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS: (continued)

In the May 1, 2014 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 6.0% investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4% and a 2.5% inflation assumption. The actuarial value of assets was determined using a 15 year smoothing formula with a 20% corridor around market value. The UAAL is being amortized as a level percentage of projected payroll on a closed basis for the initial UAAL and on an open basis for the remaining UAAL. The remaining amortization period will expire on June 30, 2038.

NOTE 10 - JOINT POWERS AGREEMENT:

The Citrus Community College District participates in three joint powers agreement (JPA) entities, the Statewide Association of Community Colleges (SWACC), the Southern California Community College District's Self-Funded Insurance Agency (SCCCD), and the Protected Insurance Program for Schools (PIPS).

SWACC provides liability and property insurance for approximately nineteen community colleges. SWACC is governed by a Board comprised of a member of each of the participating districts. The board controls the operations of SWACC, including selection of management and approval of members beyond their representation on the Board. Each member shares surpluses and deficits proportionately to its participation in SWACC.

SCCCD provides workers' compensation coverage for its seven member districts for workers' compensation self-insured run-off claims dated prior to 1995. Payments transferred to funds maintained under the JPA are expensed when made. SCCCDD has self-funded their workers' compensation coverage since inception as a joint banking pool, and accordingly, does not transfer risk between members. District administrators are of the opinion that the procedures for accumulating and maintaining reserves are sufficient to cover future contingencies under potential workers' compensation claims.

PIPS provides workers' compensation reinsurance protection to its membership of public schools and community colleges throughout California. This is a finite risk sharing pool that transfers risk away from the members. Premiums are determined based on payroll expense and additional premiums may be required in subsequent years.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 10 - JOINT POWERS AGREEMENT: (continued)

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the Citrus Community College District beyond the District's representation on the governing boards.

The relationships between the Citrus Community College 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 SWACC, SCCCD and PIPS is as follows:

	SCCCD - JPA			
	6/30/2015			
	(Audited)			
	SWACC	Workers		PIPS
	6/30/2015	Compensation	Retiree Health	6/30/2015
	(Unaudited)	Insurance Fund	Insurance Fund	(Unaudited)
Total assets	\$ 53,936,821	\$ 17,486,672	\$ 16,476,050	\$ 109,911,317
Total liabilities	<u>23,420,128</u>	<u>693,317</u>	<u> </u>	<u>99,473,185</u>
Fund balance	<u>\$ 30,516,693</u>	<u>\$ 16,793,355</u>	<u>\$ 16,476,050</u>	<u>\$ 10,438,132</u>
Total revenues	18,085,402	8,855,790	(7,961,363) *	236,319,886
Total expenditures	<u>18,077,751</u>	<u>8,435,764</u>	<u>1,500</u>	<u>237,952,641</u>
Change in fund balance	<u>\$ 7,651</u>	<u>\$ 420,026</u>	<u>\$ (7,962,863)</u>	<u>\$ (1,632,755)</u>

* Revenue is shown net of withdrawals

CITRUS COMMUNITY COLLEGE DISTRICT

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

NOTE 11 - 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 below:

	Salaries	Employee Benefits	Supplies, Materials, Other Expenses and Services	Financial Aid	Depreciation	Total
Instructional	\$ 24,574,600	\$ 7,153,665	\$ 1,578,498	\$	\$	\$ 33,306,763
Academic Support	2,305,356	844,836	147,703			3,297,895
Student Services	6,722,959	2,638,134	758,681			10,119,774
Operations and Maintenance of Plant	2,255,031	1,130,269	1,373,696			4,758,996
Institutional Support Services	5,098,882	3,637,993	2,055,065			10,791,940
Community Services and Economic Development	1,262,342	462,378	273,094			1,997,814
Ancillary Services and Auxiliary Operations	3,265,130	1,274,950	2,954,551			7,494,631
Student Aid and Other Outgo	403,368	170,802	9,254,995	19,549,747		29,378,912
Depreciation Expense					4,880,508	4,880,508
	<u>\$ 45,887,668</u>	<u>\$ 17,313,027</u>	<u>\$ 18,396,283</u>	<u>\$ 19,549,747</u>	<u>\$ 4,880,508</u>	<u>\$106,027,233</u>

**NOTE 12 – CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES
AND RESTATEMENT TO BEGINNING NET POSITION AND NEGATIVE
UNRESTRICTED NET POSITION:**

The beginning net position of the basic financial statements has been restated by \$(59,268,639) for governmental funds and \$(215,948) for the fiduciary associated student organization fund to recognize the beginning balance of the net pension liability of \$(63,345,636) and deferred outflows of resources of \$3,861,049 resulting from the implementation of GASB Statements No. 68 and No. 71. The beginning net position was not restated for the effect of deferred inflows as the amount was not practical to determine.

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

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

A. 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.

B. Litigation

The District becomes involved in lawsuits from time to time as a result of conducting ordinary business. Any estimated possible judgment against the District will not have a material adverse effect on the District financial statements, is covered by insurance, or is unknown. No amounts are reflected in these financial statements.

C. Purchase Commitments

As of June 30, 2015, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$8.6 million to be funded with bond proceeds.

D. Collective Bargaining Agreements

As of November 16, 2015 the District and the California State Employers Association have not completed negotiations. Negotiated salary and/or benefit costs have not been accrued in these financial statements but will be retroactive to January 1, 2015.

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE 14 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE:**

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

Statement No. 72 - Fair Value Measurement and Application

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

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

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

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

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

CITRUS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE 14 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE: (continued)**

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

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

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

This statement was issued in June 2015 and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement is effective for the fiscal year 2015-16.

REQUIRED SUPPLEMENTARY INFORMATION

CITRUS COMMUNITY COLLEGE DISTRICT

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

	2015
District's proportion of the net pension liability (assets)	0.0560%
District's proportionate share of the net pension liability (asset)	\$ 32,724,720
State's proportionate share of the net pension liability (asset) associated with the District	<u>19,760,797</u>
Total	<u>\$ 52,485,517</u>
District's covered-employee payroll	\$ 24.8 million
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	131.82%
Plan fiduciary net position as a percentage of the total pension liability	77.00%

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

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.

CITRUS COMMUNITY COLLEGE DISTRICT

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

	2015
District's proportion of the net pension liability (assets)	0.1511%
District's proportionate share of the net pension liability (asset)	<u>\$17,153,529</u>
District's covered-employee payroll	\$ 15.9 million
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	107.63%
Plan fiduciary net position as a percentage of the total pension liability	83.37%

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

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.

CITRUS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS –
STATE TEACHERS’ RETIREMENT PLAN
For the Fiscal Year Ended June 30, 2015

	2015
Contractually required contribution	\$ 2,265,939
Contributions in relation to the contractually required contribution	2,265,939
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 25.5 million
Contributions as a percentage of covered- employee payroll	8.880%

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.

CITRUS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

CALIFORNIA PUBLIC EMPLOYEES RETIREMENT PLAN

For the Fiscal Year Ended June 30, 2015

	2015
Contractually required contribution	\$ 1,857,142
Contributions in relation to the contractually required contribution	1,857,142
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 15.8 million
Contributions as a percentage of covered- employee payroll	11.771%

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.

CITRUS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF POST-EMPLOYMENT HEALTH CARE BENEFITS FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2015**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Entry Age Normal Cost Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
5/1/2010	\$ 1,897,820	\$ 11,584,733	\$ 9,686,913	16.4%	\$33,027,543	29.3%
5/1/2012	3,630,016	13,032,133	9,402,117	27.9%	34,081,762	27.6%
5/1/2014	5,579,224	13,971,381	8,392,157	39.9%	31,518,968	26.6%

In addition to plan assets noted above, the District has \$833,438 in the trust at SCCCD JPA. The District also transferred \$5,934,740 to the plan during 2014-15 which will be reflected in the next actuarial valuation.

See the accompanying notes to the required supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF POST-EMPLOYMENT HEALTHCARE BENEFITS
EMPLOYER CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2015

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2013	\$ 1,340,395	98.4%
2014	1,473,491	181.1%
2015	1,473,491	481.0%

See the accompanying notes to the required supplementary information.

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

NOTE 1 - PURPOSE OF SCHEDULES:

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

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

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

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.

C. Schedule of Post-employment Health Care Benefits Funding Progress

This schedule is prepared to show information from the three most recent actuarial valuations in accordance with Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

D. Schedule of Post-employment Health Care Benefits Employer Contributions

This schedule is prepared to show information from the three most recent actuarial valuations in accordance with Statement No. 43 of the Governmental Accounting Standards Board, *Financial Reporting for Postemployment Benefits Other Than Pension Plans*. The schedule is intended to show trends about the percentage of the annual required contribution made to the plan.

SUPPLEMENTARY INFORMATION

CITRUS COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION

June 30, 2015

The present Citrus Community College District commenced operations on July 1, 1968. On December 14, 1970, the name of the District was changed to Citrus Community College District. It encompasses an area of approximately 270 square miles and provides post-secondary level education (grades 13 and 14) for the residents of Azusa, Claremont, Duarte, Glendora and Monrovia Unified School Districts. Prior to July 1, 1968, the area encompassed by the Azusa and Glendora Unified School Districts was served by a junior college district also called Citrus. Citrus Community College District is governed by a five-member Board of Trustees and one non-voting student member.

<u>Trustee</u>	<u>Office</u>	<u>Term Expires</u>
Mrs. Joanne Montgomery	President	November 30, 2015
Mrs. Susan M. Keith	Vice President	November 30, 2015
Dr. Barbara R. Dickerson	Clerk/Secretary	November 30, 2017
Dr. Patricia A. Rasmussen	Member	November 30, 2015
Dr. Edward C. Ortell	Member	November 30, 2017
Mx. Pat Cordova-Goff	Student Representative	May 14, 2016

Administrators

Geraldine M. Perri, Ph.D.	Superintendent/President
Dr. Arvid Spor	Vice President of Academic Affairs
Ms. Claudette E. Dain, CPA	Vice President of Finance and Administrative Services
Martha McDonald	Vice President of Student Services
Dr. Robert L. Sammis	Director of Human Resources
Mrs. Rosalinda Buchwald	Director of Fiscal Services

CITRUS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Student Financial Aid Cluster			
Direct from Department of Education:			
Financial Aid Administrative Allowance	84.000	N/A	\$ 26,645
Supplemental Education Opportunity Grant	84.007	N/A	245,195
Federal Work Study	84.033	N/A	216,855
Pell Grant	84.063	N/A	15,960,539
Direct Loans	84.268	N/A	<u>1,815,845</u>
Total Student Financial Aid Cluster			<u>18,265,079</u>
Department of Veterans Affairs			
Direct:			
Post 9/11 Veteran Educational Assistance - GI Bill Chapter 33	64.028	N/A	<u>72,822</u>
Total Department of Veterans Affairs			<u>72,822</u>
Department of Education			
Direct:			
Rise Above Challenges Exponentially to Science, Technology, Engineering, and Mathematics (RACE to STEM)	84.031C	N/A	711,959
Hispanic-Serving Institution Program (H.S.I.):			
Preparing Tomorrow's Teachers Today Through Technology (PT5)	84.031S	N/A	802,824
Bridge to Success	84.031S	N/A	93,178
Veterans Education - Administration Fee	84.065	N/A	<u>3,375</u>
Subtotal Direct Programs			<u>1,611,336</u>
Passed through California State University, Fullerton			
Strengthening Transfer Education and Matriculation in STEM (STEM2)	84.031C	(1)	119,329
Passed through California Community Colleges Chancellor's Office:			
Career Technical Education:			
Perkins Title I, Part C	84.048	(1)	457,084
Career Technical Education Transitions (CTE Transitions)	84.048A	(1)	<u>43,269</u>
Subtotal Pass-Through Programs			<u>619,682</u>
Total Department of Education			<u>2,231,018</u>

See the accompanying notes to the supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Department of Health and Human Services			
Passed through California Community Colleges Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	68,454
Total Department of Health and Human Services			<u>68,454</u>
Total Federal Programs			<u>\$ 20,637,373</u>
Reconciliation to Federal Revenue:			
Total federal program expenditures			\$ 20,637,373
Disbursements to students on behalf of department and applied to students' accounts			
Post 9/11 Veteran Educational Assistance - GI Bill Chapter 33			<u>(72,822)</u>
Total Federal Revenue			<u>\$ 20,564,551</u>

Note: (1) Pass-through entity identifying number not readily available.
(n/a) Pass-through entity identifying number not applicable.

See the accompanying notes to the supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

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

Program Name	Program Revenues			Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Unearned Income		
State Categorical Aid Programs:					
AB 86 Adult Ed Grant	\$ 37,620	\$ 21,733	\$	\$ 59,353	\$ 59,353
Basic Skills	607,483		231,479	376,004	376,004
Board Financial Assistance Program (BFAP)	447,659	381		448,040	448,040
Cal Grant	1,068,241	4,325		1,072,566	1,072,566
CalWORKS	294,013	560		294,573	294,573
Childcare and Development Program	30,050	3,950		34,000	34,000
Childcare Taxbailout	81,052			81,052	81,052
Cooperative Agencies Resources for Education (CARE)	112,914			112,914	112,914
CTE Community Collaborative Projects	128,546			128,546	128,546
CTE Enhancement 60%	109,843	131,030		240,873	240,873
Disabled Student Program & Services (DSPS)	931,323			931,323	931,323
Enrollment Growth and Retention (EGR)	123,887			123,887	123,887
Extended Opportunities Program and Services (EOPS)	728,144			728,144	728,144
Foster Kinship Care Education	232,818	233,782		466,600	466,600
Instructional Equipment Ongoing	334,961		6,055	328,906	328,906
Lottery - Prop 20	73,166	402,206	35,923	439,449	439,449
Prop 39 Water Technology	6,787	16,792		23,579	23,579
Staff Diversity	6,110			6,110	6,110
SB1070 A&B Career Pathway/Increase Transition	-	24,516		24,516	24,516
Student Success and Support Program, Credit	1,577,844		216,171	1,361,673	1,361,673
Student Success and Support Program, Credit PY	74,038			74,038	74,038
Student Success and Support Program, Non Credit	54,205		28,728	25,477	25,477
Student Success and Support Program, Student Equity	579,287		571,532	7,755	7,755
Total State Programs	\$ 7,639,991	\$ 839,275	\$ 1,089,888	\$ 7,389,378	\$ 7,389,378

See the accompanying notes to the supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

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

Categories	Revised Annual - Factored			Revised Data
	Reported Data	District Adjustments	Audit Adjustments	
A. Summer Intersession (Summer 2014 only)				
1. Noncredit ¹	200.42	(0.49)		199.93
2. Credit	982.49			982.49
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)				
1. Noncredit ¹	-			-
2. Credit	-			-
C. Primary Terms (Exclusive of Summer Intersession)				
1. Census Procedure Courses				
(a) Weekly Census Contact Hours	7,451.76	(0.33)	(6.07)	7,445.36
(b) Daily Census Contact Hours	1,486.74	(0.20)		1,486.54
2. Actual Hours of Attendance Procedure Courses				
(a) Noncredit ¹	128.98	0.90		129.88
(b) Credit	317.08	(0.81)	3.33	319.60
3. Independent Study/Work Experience				
(a) Weekly Census Contact Hours	564.05			564.05
(b) Daily Census Contact Hours	318.70			318.70
(c) Noncredit Independent Study/Distance Education Courses	-			-
D. Total FTES	<u>11,450.22</u>	<u>(0.93)</u>	<u>(2.74)</u>	<u>11,446.55</u>
Supplemental Information (subset of above information)				
E. In-Service Training Courses (FTES)	n/a			
H. Basic Skills courses and Immigrant Education				
(a) Noncredit ¹	345.50			
(b) Credit	1,144.47			
<u>CCFS 320 Addendum</u>				
CDCP Noncredit FTES	n/a			
Centers FTES				
(a) Noncredit ¹	n/a			
(b) Credit	n/a			

¹ Including Career Development and College Preparation (CDCP) FTES

See the accompanying notes to supplementary information.

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

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

See the accompanying notes to the supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT

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

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	11,468,054		11,468,054	11,468,054		11,468,054
Other	1300	9,165,367		9,165,367	9,165,367		9,165,367
Total Instructional Salaries		20,633,421		20,633,421	20,633,421		20,633,421
Non-Instructional Salaries							
Contract or Regular	1200			-	3,755,753		3,755,753
Other	1400			-	193,661		193,661
Total Non-Instructional Salaries		-			3,949,414		3,949,414
Total Academic Salaries		20,633,421	-	20,633,421	24,582,835	-	24,582,835
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100			-	11,056,571		11,056,571
Other	2300			-	535,235		535,235
Total Non-Instructional Salaries		-		-	11,591,806		11,591,806
Instructional Aides							
Regular Status	2200	243,109		243,109	243,109		243,109
Other	2400	81,680		81,680	81,680		81,680
Total Instructional Aides		324,789		324,789	324,789		324,789
Total Classified Salaries		324,789	-	324,789	11,916,595	-	11,916,595
Employee Benefits	3000	5,312,253		5,312,253	12,763,171		12,763,171
Supplies and Materials	4000			-	768,840		768,840
Other Operating Expenses	5000			-	4,616,784		4,616,784
Equipment Replacement	6420			-			-
Total Expenditures Prior to Exclusions		26,270,463	-	26,270,463	54,648,225	-	54,648,225

See the accompanying notes to the supplementary information.

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

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff–Retirees’ Benefits and Retirement Incentives	5900	266,858		266,858	266,858		266,858
Student Health Services Above Amount Collected	6441	1,089		1,089	75,774		75,774
Student Transportation	6491			-	60,980		60,980
Non-instructional Staff-Retirees’ Benefits and Retirement Incentives	6740			-	959,502		959,502
Objects to Exclude							
Rents and Leases	5060			-	256,098		256,098
Lottery Expenditures							
Academic Salaries	1000			-			-
Classified Salaries	2000			-	237,663		237,663
Employee Benefits	3000			-	108,364		108,364
Supplies and Materials	4000			-			-
Software	4100			-			-
Books, Magazines, & Periodicals	4200			-			-
Instructional Supplies & Materials	4300			-			-
Noninstructional, Supplies & Materials	4400			-			-
Total Supplies and Materials							
Other Operating Expenses and Services	5000			-	1,353,850		1,353,850
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment	6400			-			-
Equipment - Additional	6410			-			-
Equipment - Replacement	6420			-			-
Total Equipment							
Total Capital Outlay							
Other Outgo	7000			-			-
Total Exclusions		267,947	-	267,947	3,319,089	-	3,319,089
Total for ECS 84362, 50% Law		26,002,516	-	26,002,516	51,329,136	-	51,329,136
Percent of CEE (Instructional Salary Cost / Total CEE)		50.66%	0%	50.66%	100%	0%	100%
50% of Current Expense of Education					25,664,568	-	25,664,568

See the accompanying notes to the supplementary information.

CITRUS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE UNRESTRICTED GENERAL FUND
For the Fiscal Year Ended June 30,

	<u>2016 (Budgeted)</u>		<u>2015</u>		<u>2014</u>		<u>2013</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Revenue:								
Federal	\$ -	0.0	\$ 30,020	0.0	\$ 31,405	0.1	\$ 25,570	0.0
State	62,871,199	89.7	51,807,817	82.5	48,941,309	81.9	43,773,276	76.3
County, local and other	13,417,021	19.1	13,212,562	21.1	12,334,712	20.6	12,152,882	21.2
Total Revenues	<u>76,288,220</u>	<u>108.8</u>	<u>65,050,399</u>	<u>103.6</u>	<u>61,307,426</u>	<u>102.6</u>	<u>55,951,728</u>	<u>97.5</u>
Expenditures:								
Academic salaries	27,336,883	39.0	24,952,308	39.8	24,266,332	40.7	22,354,277	39.0
Classified salaries	15,671,684	22.4	14,069,441	22.4	13,850,940	23.2	13,653,842	23.8
Employee benefits	16,004,526	22.8	13,766,107	21.9	12,962,970	21.7	13,911,946	24.3
Supplies and materials	1,320,785	1.9	930,570	1.5	954,119	1.6	760,484	1.3
Other operating expenses and services	6,804,415	9.7	5,096,432	8.1	5,400,736	9.0	4,882,035	8.5
Capital outlay	926,589	1.3	741,197	1.2	263,674	0.4	275,503	0.5
Other outgo	2,054,286	2.9	3,208,545	5.1	2,038,961	3.4	1,506,550	2.6
Total Expenditures	<u>70,119,168</u>	<u>100.0</u>	<u>62,764,600</u>	<u>100.0</u>	<u>59,737,732</u>	<u>100.0</u>	<u>57,344,637</u>	<u>100.0</u>
Net Other Financing Sources	<u>1,761,279</u>	<u>2.5</u>	<u>57,565</u>	<u>0.1</u>	<u>96,330</u>	<u>0.2</u>	<u>148,035</u>	<u>0.3</u>
Change in Fund Balance	<u>\$ 7,930,331</u>	<u>11.3</u>	<u>\$ 2,343,364</u>	<u>3.7</u>	<u>\$ 1,666,024</u>	<u>2.8</u>	<u>\$ (1,244,874)</u>	<u>(2.2)</u>
Ending Fund Balance	<u>\$ 19,076,801</u>	<u>27.2</u>	<u>\$ 11,146,470</u>	<u>17.8</u>	<u>\$ 8,803,106</u>	<u>14.7</u>	<u>\$ 7,137,082</u>	<u>12.4</u>
Full-time Equivalent Students (Annual)	<u>11,991</u>		<u>11,447</u>		<u>11,314</u>		<u>10,675</u>	
Total Long-Term Debt	<u>\$ 150,272,257</u>		<u>\$ 153,834,268</u>		<u>\$ 160,861,376</u>		<u>\$ 80,075,090</u>	

IMPORTANT NOTES:

The California Community College Chancellor's Office has provided guidelines that recommends a minimum prudent ending fund balance of at least 5% of unrestricted expenditures.

All percentages are of total unrestricted expenditures.

The 2015-16 budget presents the Budget adopted by the Board of Trustees on September 1, 2015.

Long-term debt is reported for the District as a whole and includes debt related to all funds. Long-term debt excludes unamortized premium on bonded debt. Total long term debt for the 2013-14 year has been revised to reflect the implementation of GASB Statements No. 68 and No. 71.

See the accompanying notes to the supplementary information.

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

NOTE 1 - PURPOSE OF SCHEDULES:

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

The audit of the Citrus Community College District for the year ended June 30, 2015 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. The Schedules of Federal Awards and the Schedule of State Financial Assistance was prepared on the modified accrual basis of accounting.

Subrecipients

Of the Federal expenditures present in the Schedule of Expenditures of Federal Awards, the District provided Federal awards to subrecipients as follows:

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Amount Provided to Subrecipients
Department of Education Hispanic-Serving Institution Program (H.S.I.): Preparing Tomorrow's Teachers Today Through Technology (PT5)		
University of La Verne	84.031S	\$ <u>233,135</u>

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

The Schedule of Workload Measures represents the basis of apportionment of the Citrus Community College District's annual source of funding.

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

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Annual Financial and Budget Report (Form CCFS-311).

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

NOTE 1 - PURPOSE OF SCHEDULES: (continued)

D. Reconciliation of 50 Percent Law Calculation

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

E. Proposition 30 Education Protection Account Expenditure Report

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

F. Schedule of Financial Trends and Analysis

The Schedule of Financial Trends and Analysis shows the financial trends of the unrestricted general fund over the past three fiscal years as well as the subsequent year budget. This schedule is intended to identify whether the District faces potential fiscal problems and if they have met the recommended available reserve percentage.

OTHER INDEPENDENT AUDITOR'S REPORTS



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

Board of Trustees
Citrus Community College District
1000 West Foothill Boulevard
Glendora, California 91741

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 the Citrus Community College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the 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.

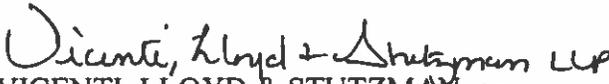
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Compliance and Other Matters

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

Purpose of this Report

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


VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 16, 2015

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

Board of Trustees
Citrus Community College District
1000 West Foothill Boulevard
Glendora, California 91741

Report on Compliance for Each Major Federal Program

We have audited the Citrus Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

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

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

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

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

Purpose of this Report

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

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 16, 2015

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Citrus Community College District
1000 West Foothill Boulevard
Glendora, California 91741

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

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2014-15 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

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

Opinion on State Compliance

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

Other Matters

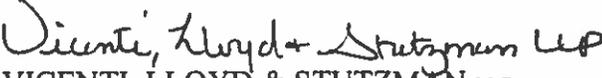
The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2014-15 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office, and which are described in the accompanying schedule of findings and questioned costs as item 2015-001 and 2015-002. Our opinion on each state program is not modified with respect to these matters.

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

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Purpose of this Report

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


VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 16, 2015

FINDINGS AND QUESTIONED COSTS

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

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? _ Yes X No
 Significant deficiency(ies) identified not considered
 to be material weaknesses? _ Yes X None reported

Non-compliance material to financial statements noted? _ Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _ Yes X No
 Significant deficiency(ies) identified not considered
 to be material weaknesses? _ Yes X None reported

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

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

Identification of major programs tested:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.000, and 84.268	Student Financial Assistance Cluster
84.031C	Science, Technology, Engineering, and Mathematics (STEM): - Rise Above Challenges Exponentially to Science, Technology, Engineering, and Mathematics (RACE to STEM) - Strengthening Transfer Education and Matriculation in STEM

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

Auditee qualified as low-risk auditee? X Yes No

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

There were no findings and questioned costs related to the basic financial statements for the year ended June 30, 2015.

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

There were no findings and questioned costs related to federal awards for the year ended June 30, 2015.

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

FINDING 2015-001
SECTION 427 – CONCURRENT ENROLLMENT OF K-12 STUDENTS
IN COMMUNITY COLLEGE CREDIT COURSES –
COURSES NOT OPEN TO THE GENERAL PUBLIC

Criteria: Education Code Section 76002(a) specifies that for purposes of receiving state apportionments, a community college district may include high school pupils who attend a community college within the district pursuant to Sections 48800 and 76001 in the district's report of full-time equivalent students (FTES) only if those pupils are enrolled in community college classes that meet all of the following criteria:

- a. The class is open to the general public.
- b. The class is advertised as open to the general public in one or more of the following:
 - i. The college catalog.
 - ii. The regular schedule of classes.
 - iii. An addenda to the college catalog or regular schedule of classes.
- c. If a decision to offer a class on a high school campus is made after the publication of the regular schedule of classes, and the class is solely advertised to the general public through electronic media, the class shall be so advertised for a minimum of 30 continuous days prior to the first meeting of the class.
- d. If the class is offered at a high school campus, the class may not be held during the time the campus is closed to the general public, as defined by the governing board of the school district during a regularly scheduled board meeting.

Condition: Our review of concurrent enrollment identified one course with 100% concurrent enrollment that was not open to the general public and was not advertised in the class schedule.

Questioned Costs: Decrease of 2.44 FTES Weekly Census Contact Hours. Estimated effect on apportionment is \$11,409.20, per marginal funding of \$4,675.90 per FTES.

Context: A query was provided that confirmed the District only had one course with 100% high school enrollment.

Effect: This course was claimed for apportionment and limited for enrollment under the authorization provided by Title 5, Section 58106 and Chancellor's Office legal opinion 10-07. The Chancellor's Office legal opinion, dated April 24, 2015, clarified that this did not apply to classes held exclusively for high school students.

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

FINDING 2015-001
SECTION 427 – CONCURRENT ENROLLMENT OF K-12 STUDENTS
IN COMMUNITY COLLEGE CREDIT COURSES –
COURSES NOT OPEN TO THE GENERAL PUBLIC (CONTINUED)

Recommendation: Implement procedures to ensure apportionment for concurrently enrolled students is not included in reported calculations. Specifically identify courses which cannot be reported for apportionment and systematically remove these courses from the FTES calculation.

District Response: At the time the course was offered, which was in February 2015, it was believed that per Title 5, Section 58106 and legal opinion 10-07 issued by the California Community Colleges Chancellor’s Office, it was permissible to limit the course enrollment to a cohort comprised of only high school students. However, an updated legal advisory issued by the State Chancellor’s Office on April 24, 2015, Updated Legal Advisory 05-01, clarified that limiting enrollment to a cohort of high school students is not permitted under Title 5, Section 58106.

The District will ensure that if any classes are offered to exclusively closed cohorts of high school students, that these classes will be coded as non-apportionment. In order to ensure compliance with this, the Dean of Admissions and Records and the Dean of Enrollment Management will periodically run and review the detail of the CCFS-320 Attendance Report to correct any scheduling and registration errors before submission of CCFS-320 Attendance reports. Prior to submission, both Deans will conduct a thorough review to ensure that only apportionment-eligible classes are included in the CCFS-320 reports.

FINDING 2015-002 –
STATE COMPLIANCE: SECTION 479 TO BE ARRANGED HOURS (TBA)
– PROPER ACCOUNTING METHOD

Criteria: The Contracted District Audit Manual (CDAM) defines TBA as “Some courses with regularly scheduled hours of instruction have hours to be arranged (TBA) as part of the total contact hours for the course. The TBA portion of the course uses an alternate method for regularly scheduling a credit course for purposes of applying either the Weekly or Daily Census Attendance Accounting Procedures pursuant to CCR, Title 5, sections 58003.1(b) and (c), respectively.”

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

FINDING 2015-002 –
STATE COMPLIANCE: SECTION 479 TO BE ARRANGED HOURS (TBA)
– PROPER ACCOUNTING METHOD
(CONTINUED)

Condition: Courses not meeting the definition of a daily or weekly census should be claimed as positive attendance for Apportionment purposes. During 2014-15, the District offered two weekly TBA courses. Our review identified one course that should have been claimed as positive attendance as the lab portion of the course did not meet on a weekly basis.

Questioned Costs: Decrease of 3.63 FTES Weekly Census Contact Hours FTES and increase of 3.33 Actual Hours of Attendance Procedure Census FTES, resulting in a decrease of 0.3 FTES. Estimated effect on apportionment is \$1,402.77, per marginal funding of \$4,675.90 per FTES.

Context: The District claimed two weekly TBA courses during 2014-15. Our review tested both of these courses.

Effect: The overstatement of contact hours occurred due to a miscoding of the course in the student information system.

Recommendation: Implement procedures to identify courses classified as requiring TBA hours and ensure they meet the definition of Weekly or Daily Census procedures courses.

District Response: Over the years, the District has reduced the number of TBA courses in order to improve scheduling. The District policy is to avoid scheduling classes with TBA hours, and, in the event that some classes need to be scheduled with TBA hours, that they be offered as positive attendance. During 2014-2015, the class in question was approved to be offered with TBA hours because the nature of the class required that some of the hours be arranged. However, this class was mistakenly not offered as positive attendance. In order to ensure compliance with TBA reporting, the Dean of Admissions and Records and the Dean of Enrollment Management will periodically run and review the detail of the CCFS-320 Attendance Report to correct any scheduling and registration errors before submission of CCFS-320 Attendance reports. An error report will be developed to ensure that any class with a TBA hour component complies with the District's internal procedure of being offered only as a positive attendance course.

CITRUS COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2015

There were no findings and questions costs related to the basic financial statements, federal awards or state awards for the fiscal year ended June 30, 2014.

CONTINUING DISCLOSURE INFORMATION

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

Assessed valuation for fiscal year 2014-15	\$22,777,340,897	(2)
Secured tax levies for fiscal year 2014-15	\$4,329,268	(1)
Secured tax delinquencies for fiscal year 2014-15	\$136,158	(1)
Secured tax collections for fiscal year 2014-15	\$4,193,110	(1)

2014-15 LARGEST LOCAL SECURED TAXPAYERS
CITRUS COMMUNITY COLLEGE DISTRICT (2)

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>% of Assessed Valuation</u>	<u>Total (3)</u>
1. Millercoors LLC	Industrial	\$ 376,835,346	1.65%
2. Northrop Grumman Systems Corporation	Industrial	110,175,158	0.48
3. South Myrtle Monrovia MM LLC	Commercial	60,138,172	0.26
4. Claremont Star LP	Hotel	47,767,825	0.21
5. Foothill Technology Center I LLC Office	Building	47,585,868	0.21
6. LBA CPT Industrial Company III LLC	Industrial	43,697,490	0.19
7. Davis Wire Corp.	Industrial	36,758,874	0.16
8. ROIC California LLC	Shopping Center	34,330,150	0.15
9. PPF Industrial 823 985 8th Street LP	Industrial	32,361,715	0.14
10. San Menlo	Apartments	31,443,164	0.14
11. Monrovia Technology Campus LLC	Office Building	28,197,739	0.12
12. Consolidated Rock Products Co.	Industrial	27,731,401	0.12
13. Mountain Vista Plaza	Commercial	25,970,288	0.11
14. Duarte LLC	Commercial	25,800,000	0.11
15. LBA PPF Industrial II Martin Road LLC	Industrial	25,513,306	0.11
16. Irwindale Partners LP	Industrial	24,964,466	0.11
17. Citrus Crossing Prop Fee LLC	Shopping Center	24,057,568	0.11
18. Caledge Investments LLC	Shopping Center	23,054,191	0.10
19. Wilmington Trust	Commercial	22,741,833	0.10
20. Foothill Hospital	Hospital	22,883,152	0.10
		\$1,072,007,706	4.71%

(1) Information obtained from the Los Angeles County Auditor-Controller's Office.

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

(3) % of total assessed valuation for fiscal year 2014-15 of \$22,777,340,897.