

COAST COMMUNITY COLLEGE DISTRICT

ORANGE COUNTY

**REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2010**



COAST COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2010

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COAST COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2010

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Coast Community College District, as of and for the year ended June 30, 2010 as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the Coast Community College District as of June 30, 2010, and the results of its operations, changes in net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2010 on our consideration of the Coast Community College District's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Board of Trustees
Coast Community College District

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of post-employment health care benefits funding progress 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Coast Community College District financial statements as a whole. The supplementary schedules and the continuing disclosure information are presented for purposes of additional analysis and are not a required part of the 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 Coast Community College District. The supplementary section including the schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the 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 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.


VICENTI, LLOYD & STUTZMAN LLP

November 16, 2010

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2010

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the Coast Community College District (the "District") for the year ended June 30, 2010. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

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

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

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

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

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

Financial and Enrollment Highlights

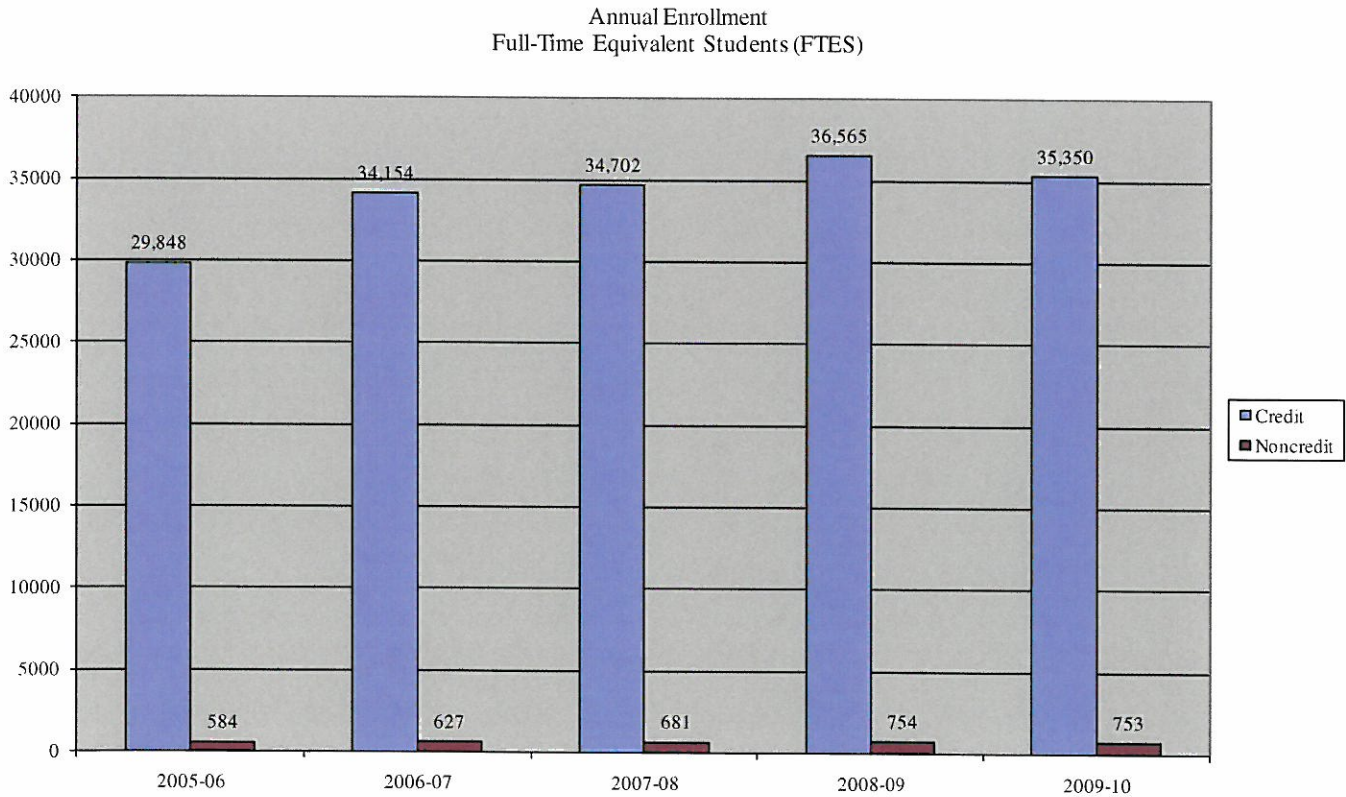
The District ended the year once again with a strong fund balance. The ability to maintain a prudent reserve has continued to provide cash flow stability for the District without external borrowing. Health and welfare benefit costs continue to rise and are being monitored. Funds were set aside to fund the future retiree benefits liability recognized. Over \$40 million has been set aside to meet the District's liability of approximately \$90 million.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2010

The District runs the Banner financial software which is integrated with the human resources and student systems. The District uses the position budgeting feature to build the budgets and allows on-line budget transfers for faster, more accurate processing. The Student system provides daily updates to the financial system and uses an accrual method of accounting.

In November 2002, the District passed Measure C, a general obligation bond for facilities. The District has issued all of the \$370 million of bonds. As of June 30, 2010, over \$345 million of the funds have been spent. There are currently only 3 major projects to complete. Although construction costs have risen far above initial projections, the District is making significant progress in its facility master plans.

Enrollments at our three colleges decreased in 2009-10 by 3.26% from the prior year due to reduced state funding. However, there were still over 1,300 unfunded FTES because of state imposed funding limits.



COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2010

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net assets – the difference between assets and liabilities – are one way to measure the financial health of the district.

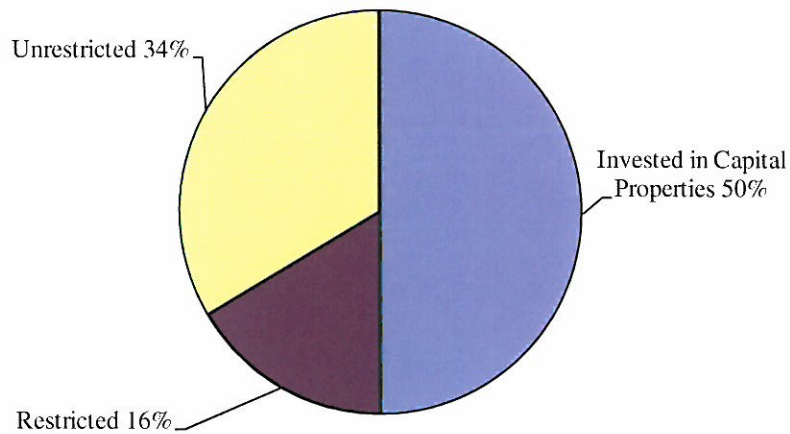
	(in thousands)		
	<u>2010</u>	<u>2009</u>	<u>Change</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 114,254	\$ 152,432	-25%
Account receivables	26,535	19,936	33%
Due from fiduciary fund	30	6	400%
Due from component unit	277	224	24%
Inventories	98	819	-88%
Prepaid expenses	168	330	-49%
Total current assets	<u>141,362</u>	<u>173,747</u>	-19%
Non-current assets			
Restricted cash and cash equivalents	18,029	16,447	10%
Restricted student loans receivable	3,293	3,687	-11%
Notes receivable	17,125	17,500	-2%
Issue costs, net of amortization	3,142	3,262	-4%
Other post-employment benefit asset	5,544	7,880	-30%
Capital assets, net of depreciation	<u>381,377</u>	<u>344,607</u>	11%
Total non-current assets	<u>428,510</u>	<u>393,383</u>	9%
TOTAL ASSETS	<u>569,872</u>	<u>567,130</u>	0%
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	21,864	18,865	16%
Deferred revenue	6,303	9,661	-35%
Due to fiduciary fund	35		N/A
Amounts held in trust for others	639	585	9%
Compensated absences payable - current portion	742	742	0%
Capital leases	134	128	5%
General obligation bond payable - current portion	<u>8,753</u>	<u>7,753</u>	13%
Total current liabilities	<u>38,470</u>	<u>37,734</u>	2%
Non-current liabilities			
Compensated absences payable less current portion	3,207	3,670	-13%
Estimated liability for open claims and IBNR's	2,511	2,202	14%
Capital leases	1,041	1,175	-11%
General obligation bond payable less current portion	<u>363,526</u>	<u>362,539</u>	0%
Total non-current liabilities	<u>370,285</u>	<u>369,586</u>	0%
TOTAL LIABILITIES	<u>408,755</u>	<u>407,320</u>	0%
NET ASSETS			
Invested in capital assets, net of related debt	80,520	72,260	11%
Restricted	26,577	22,819	16%
Unrestricted	<u>54,020</u>	<u>64,731</u>	-17%
TOTAL NET ASSETS	<u>\$ 161,117</u>	<u>\$ 159,810</u>	1%

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2010

- Cash and cash equivalents consists mainly of cash held in the county treasury (\$101 million) and ancillary funds maintained at local banks. Cash decreased significantly from the prior year due primarily to spending the general obligation bond (GO Bond) funds on approved projects. At June 30, 2010, the building fund had a cash balance of \$64 million.
- Account receivables consist of amounts due from grants and contracts where the District has earned funds that were not yet received by year-end. They also include reimbursement for financial aid funds paid to students (\$4.2 million). The large increase was due to the additional state general apportionment deferrals (total of \$14 million) and reimbursements for a state capital outlay project (\$4 million).
- Amounts due from component units relate to the reimbursement of payrolls. All employees are paid with District funds which must be reimbursed after the fact. The increase reflects the expansion of some of the ancillary programs that require additional personnel costs.
- During 2009/2010, the bookstore operations at Golden West College and Coastline Community College were contracted out to Follett. This resulted in a dramatic decrease in inventories held by the District. Small remaining amounts of inventory will be cleared out in the subsequent year.
- The item for other post-employment benefit asset is the value of the funding for future retiree benefits beyond the amount required by GASB Statement No. 45. The District has a funding plan to mitigate the liability in the next 15-20 years. While the District set aside additional funds, the decrease in the asset is the result of insufficient funds being deposited into the trust account for 2010 in order to address the cash flow issues brought on by deferrals and budget cuts.
- The drop in deferred revenue is a result of a later start date for registration for Fall 2010 classes. Fall revenues assessed prior to June 30 are deferred into the next fiscal year. This year the bulk of the students registered beginning in July, 2010 rather than mid June.
- The total assets, total liabilities and total net assets show an insignificant change from the prior year. The District remains stable despite the challenging state budget issues.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2010

Net Assets
June 30, 2010



Statement of Revenues, Expenses and Changes in Net Assets

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

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2010

	(in thousands)		
	<u>2010</u>	<u>2009</u>	<u>Change</u>
Operating Revenues			
Net tuition and fees	\$ 27,358	\$ 24,804	10%
Grants and contracts, non-capital	84,730	70,142	21%
Auxiliary sales and charges	<u>5,089</u>	<u>7,029</u>	-28%
Total operating revenues	<u>117,177</u>	<u>101,975</u>	15%
Operating Expenses			
Salaries and benefits	198,856	200,036	-1%
Supplies, materials and other operating expenses and services	34,435	39,989	-14%
Financial aid	41,435	25,407	63%
Utilities	4,500	5,645	-20%
Depreciation	<u>13,609</u>	<u>12,539</u>	9%
Total operating expenses	<u>292,835</u>	<u>283,616</u>	3%
Operating loss	<u>(175,658)</u>	<u>(181,641)</u>	-3%
Non-operating revenues (expenses)			
State apportionments, non-capital	66,396	74,043	-10%
Local property taxes	88,188	88,012	0%
State taxes and other revenues	5,524	5,624	-2%
Investment income, non-capital	527	988	-47%
Interest expense	(17,441)	(17,388)	0%
Other non-operating revenue	103		
Other non-operating expense	<u>(114)</u>	<u>(29)</u>	293%
Total non-operating revenues (expenses)	<u>143,183</u>	<u>151,250</u>	-5%
Other revenues, expenses, gains or losses			
State apportionments, capital	13,402	374	3483%
Local property taxes and revenues, capital	19,210	17,229	11%
Investment income, capital	<u>1,170</u>	<u>2,860</u>	-59%
Total other revenues, expenses, gains or losses	<u>33,782</u>	<u>20,463</u>	65%
Change in net assets	1,307	(9,928)	-113%
Net assets, beginning of year	<u>159,810</u>	<u>169,738</u>	-6%
Net assets, end of year	<u>\$ 161,117</u>	<u>\$ 159,810</u>	1%

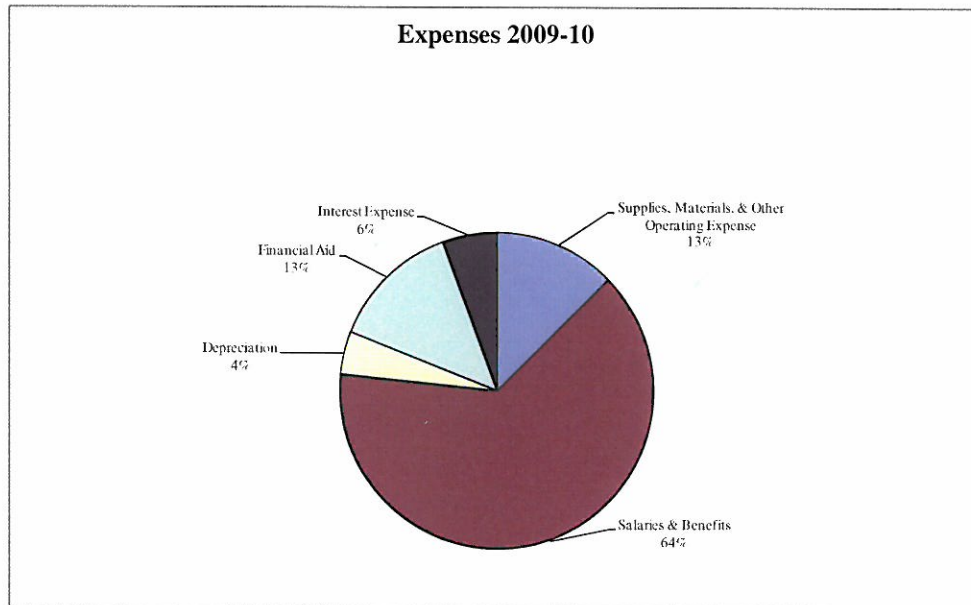
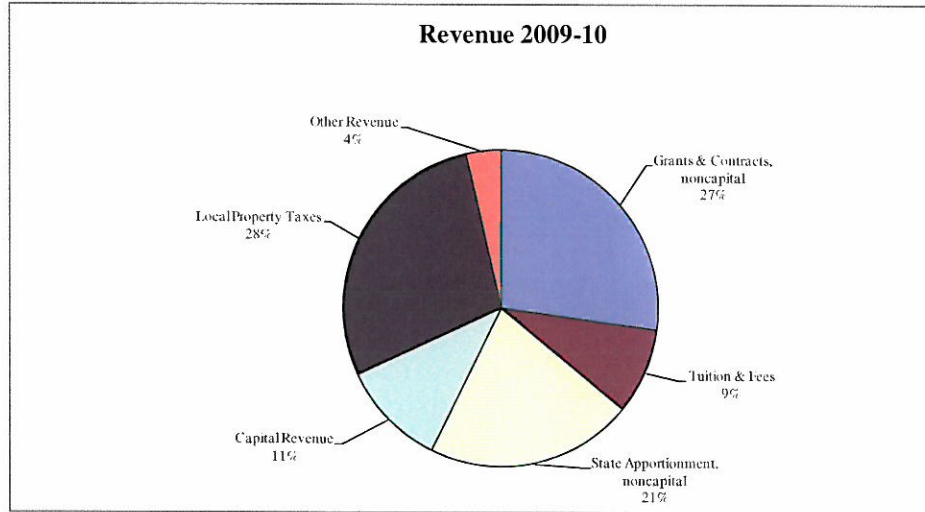
COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2010

- Net tuition and fees consists of enrollment fees (\$22.6 million), non-resident tuition (\$7.7 million), and other fees (\$6.8 million) less scholarships discounts and allowances (\$9.8 million). Regular enrollment fees (\$26 per unit) are set by the state for all community colleges and increased \$6 per unit from the prior year. Higher revenue reflects this increase and greater non-resident enrollments.
- Revenue for grants and contracts is comprised of federal grants (\$48.8 million), state grants (\$13.2 million), and local contracts (\$22.7 million). The increase is due mainly to federal financial aid provided for students and is also reflected in the increased financial aid operating expenses.
- The drop in auxiliary sales and charges is a result of contracting out the bookstore operations part way through the year.
- The District state apportionments were reduced (\$7.6 million) as part of the state-wide funding reduction of 3.34% to community colleges. The state reduced the number of students we are paid to serve proportionately which led to reduced class offerings at each of the colleges.
- The large decrease of investment income from both capital and non-capital sources reflects lower county investment earnings. The District has fewer funds invested as the state continues to defer more payments into the next year and reserves are reduced to offset state cuts. There was also a significant decrease in the amount of capital funds invested due to spending the GO Bond funds.
- The state apportionments for capital increased as a state funded construction project at Orange Coast College was in full swing. The project is expected to be completed in 2010/2011.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2010



COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2010

Statement of Cash Flows

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

	(in thousands)		
	<u>2010</u>	<u>2009</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (160,334)	\$ (169,530)	5%
Noncapital financing activities	158,926	161,235	-1%
Capital and related financing activities	(36,989)	(39,233)	-6%
Investing activities	<u>1,799</u>	<u>4,178</u>	-57%
Net decrease in cash and cash equivalents	(36,598)	(43,350)	-16%
Cash balance, beginning of year	168,880	212,230	-20%
Cash balance, end of year	<u>\$ 132,282</u>	<u>\$ 168,880</u>	-22%

- The primary cash receipts from operating activities consist of grants and contracts, while the outlays include payment of wages, benefits, supplies, services and contracts.
- General apportionment is the main source of non-capital financing activities and consists of state apportionment and local property taxes.
- Cash used in capital and related financing activities reflects the expenditures on construction projects which have slowed down as the larger projects are completed.
- Cash from investing activities is interest and gains on investments. The decrease in interest revenue is due to low interest rates, market losses, and less cash on hand.
- The overall cash balance continues to decline as the GO Bond funds are expended.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2010

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Change in Fiduciary Net Assets. 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, 2010, the District had over \$381 million invested in net capital assets. Total capital assets of \$568 million consist of land, buildings and building improvements, vehicles, data processing equipment and other office equipment; these assets have accumulated depreciation of \$187 million. New additions for construction and equipment of \$50 million occurred during 2009/2010, and depreciation expense of \$14 million was recorded for the fiscal year. In addition, \$20 million of construction in progress was completed and placed into service as buildings and site improvements. Note 6 to the financial statements provides additional information on capital assets. A summary of capital assets net of depreciation is presented below:

	<u>Balance June 30, 2010</u>
Land	\$ 24,141,969
Buildings and site improvements	419,465,041
Equipment	32,563,268
Construction in progress	<u>92,521,232</u>
Totals at historical cost	<u>568,691,510</u>
Less accumulated depreciation for:	
Buildings and site improvements	(158,366,173)
Equipment	<u>(28,948,008)</u>
Total accumulated depreciation	<u>(187,314,181)</u>
Governmental capital assets, net	<u>\$ 381,377,329</u>

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2010

Debt

At June 30, 2010, the District had \$372 million in debt for the general obligation bonds. The payments for general obligation bond debt are funded through property tax assessments. Note 10 to the financial statements provides additional information on long-term liabilities.

Economic Factors That May Affect the Future

State Economy

- The economic position of Coast Community College District is closely tied to that of the State of California. The District received 39% of its general fund revenue through state apportionments and 53% from local property taxes for the 2009/2010 fiscal year. These two sources along with enrollment fees make up the District's general apportionment, the main source of funding for California community colleges. General apportionment funding is calculated on a base allocation and the District's FTES.
- The federal and state economies have yet to show significant recovery from the economic downturn. The fall off in state income tax, property tax and sales tax have caused a multibillion-dollar state deficit. While the state balanced the current year budget (100 days late), there are many uncertainties and mid-year budget cuts are anticipated.

CCCD Budget

- The governor's 2010/2011 budget for community colleges contained 0% for cost of living and 2.2% for growth funds. The District does not include growth funds in the budget until they are earned and none were part of the adopted budget. The budget was balanced by reducing staffing by 108 vacant positions. Many of these job functions are being absorbed by other staff or services are being reduced. Critical positions are being replaced as funds become available. The categorical programs continue to be funded at the much lower 2008/2009 level. The District guaranteed funding of full-time positions that the programs could no longer afford in the amount of \$1.2 million. A large number of vacant positions in 2009/2010 as well as reduced spending of discretionary funds allowed the District to maintain a reserve of 6.3% entering into 2010/2011.
- Salaries and benefits continue to comprise the largest portion of the District's expenses. In 2009/2010, 89.5% of the unrestricted funds were spent on salaries and benefits. The District offered an incentive for employees to provide early notification of their intent to retire or resign. Sixty-six employees took advantage of the program. Those positions along with 42 other vacancies were removed from the budget. The 2010/2011 budget also does not include any salary increases for staff.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2010

- Health and welfare benefit costs continue to increase each year. The 2010/2011 budget includes an increase of \$1,500 per employee which represents a 12% increase from the 2009/2010 budget. The employee contributions have remained unchanged.
- Because of the budget crisis, retiree health benefits are being funded at a reduced level for the normal cost for current employees. Current contributions are held in the county treasury throughout the year for cash flow purposes. The following year funds are transferred to an irrevocable trust and invested through the Community College League JPA.

Significant Future Events

The District balanced the 2010/2011 budget through significant staffing reductions that are having an impact on services provided. Should mid-year cuts become a reality, the District may have to make hard decisions to re-balance the budget. These will inevitably impact student services and course offerings even more. The winter inter-sessions have already been eliminated and summer offerings have being reduced. The addition of growth funds will offset anticipated new costs for the 2011/2012 budget year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Office of Fiscal Affairs at Coast Community College District, 1370 Adams Avenue, Costa Mesa, California 92626, or e-mail at kallen@cccd.edu.

BASIC FINANCIAL STATEMENTS

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2010

	Primary Government	Component Units
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 114,253,915	\$ 3,827,923
Investments		15,994,024
Accounts receivable, net	26,535,326	369,781
Due from fiduciary fund	30,289	
Due from component units	276,804	
Inventory	97,746	
Prepaid expenses	168,410	41,487
Total Current Assets	<u>141,362,490</u>	<u>20,233,215</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	18,027,894	
Student loans receivable	3,292,806	
Notes receivable	17,125,000	
Issue costs, net of accumulated amortization	3,142,147	
Other post-employment benefit asset	5,544,360	
Capital assets, net of accumulated depreciation	381,377,329	3,370,242
Total Noncurrent Assets	<u>428,509,536</u>	<u>3,370,242</u>
TOTAL ASSETS	<u>\$ 569,872,026</u>	<u>\$ 23,603,457</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 13,353,058	\$ 147,975
Accrued liabilities	8,510,708	
Deferred revenue	6,302,771	440,675
Due to District		276,804
Due to fiduciary fund	35,113	
Amounts held in trust for others	639,255	
Compensated absences	741,457	
Capital leases	134,431	
General obligation bond payable - current portion	8,753,254	
Total Current Liabilities	<u>38,470,047</u>	<u>865,454</u>
Noncurrent Liabilities:		
Compensated absences	3,206,674	
Deferred tax liability		31,400
Estimated liability for open claims and IBNR's	2,511,434	
Capital leases	1,040,767	
General obligation bond payable - noncurrent portion	363,526,119	
Total Noncurrent Liabilities	<u>370,284,994</u>	<u>31,400</u>
TOTAL LIABILITIES	<u>408,755,041</u>	<u>896,854</u>
NET ASSETS		
Invested in capital assets, net of related debt	80,520,051	
Permanently restricted		4,923,566
Temporarily restricted		13,115,886
Restricted for:		
Programs		1,680,586
Scholarships and loans	3,627,953	125,552
Capital projects	8,310,974	
Debt service	14,638,289	
Unrestricted	54,019,718	2,259,469
Retained Earnings		601,386
TOTAL NET ASSETS	<u>161,116,985</u>	<u>22,706,445</u>
STOCKHOLDERS' EQUITY - COMMON STOCK	<u>-</u>	<u>158</u>
TOTAL LIABILITIES, NET ASSETS, AND STOCKHOLDERS' EQUITY	<u>\$ 569,872,026</u>	<u>\$ 23,603,457</u>

See the accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2010

	Primary Government	Component Units
OPERATING REVENUES		
Enrollment, tuition, and other fees (gross)	\$ 37,115,460	\$
Less: Scholarship discounts and allowances	(9,757,161)	
Net tuition and fees	27,358,299	-
Grants and contracts, non-capital:		
Federal	48,752,244	
State	13,215,717	
Local	22,762,100	7,836,224
Auxiliary enterprise sales and charges	5,088,420	5,490,477
TOTAL OPERATING REVENUES	117,176,780	13,326,701
OPERATING EXPENSES		
Salaries	145,062,752	1,322,668
Employee benefits	53,792,833	317,914
Supplies, materials, and other operating expenses and services	34,436,215	10,469,159
Financial aid	41,434,905	
Utilities	4,499,791	
Depreciation	13,608,527	50,619
TOTAL OPERATING EXPENSES	292,835,023	12,160,360
OPERATING INCOME (LOSS)	(175,658,243)	1,166,341
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, non-capital	66,395,504	
Local property taxes	88,187,814	
State taxes and other revenues	5,523,757	
Investment income - non-capital	527,427	
Interest expense on capital asset-related debt	(17,441,329)	
Other non-operating revenues	103,000	
Loss on disposal of fixed assets	(113,681)	(832,923)
TOTAL NON-OPERATING REVENUES (EXPENSES)	143,182,492	(832,923)
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(32,475,751)	333,418
OTHER REVENUES, EXPENSES, GAINS OR LOSSES		
State apportionments, capital	13,402,700	
Local property taxes and revenues, capital	19,209,940	
Investment income - capital	1,169,804	
TOTAL OTHER REVENUES, EXPENSES, GAINS OR LOSSES	33,782,444	-
CHANGE IN NET ASSETS	1,306,693	333,418
NET ASSETS, AT BEGINNING OF YEAR	159,810,292	22,373,027
NET ASSETS, END OF YEAR	\$ 161,116,985	\$ 22,706,445

See the accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2010

	Primary Government	Component Units
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees (net)	\$ 25,223,099	\$
Federal grants and contracts	47,743,281	
State grants and contracts	13,423,112	
Local grants and contracts	20,214,282	
Administrative fees and interest		305,242
Donations		3,765,853
Payments for income taxes		(320,135)
Payments to suppliers	(34,688,576)	(8,759,626)
Payments to/on behalf of employees	(196,432,335)	(1,500)
Payments to/on behalf of students	(41,050,939)	(1,148,863)
Auxiliary enterprise sales and charges	4,699,414	5,569,122
Auxiliary and component unit transfers	480,771	(5)
Amounts held in trust	54,166	
Net cash used by operating activities	(160,333,725)	(589,912)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	64,015,768	
Property taxes	88,187,814	
State tax and other revenues	6,722,442	
Dividend paid		(500,000)
Net cash provided (used) by non-capital financing activities	158,926,024	(500,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants and gifts received	9,702,374	
Other local capital receipts	19,452,929	
Purchases of capital assets	(50,492,482)	(15,703)
Principal paid on capital debt	(7,078,429)	
Interest paid on capital debt	(8,572,951)	
Net cash used by capital and related financing activities	(36,988,559)	(15,703)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	1,798,950	
Net sales of investments		(185,778)
Transfer of investment to Foundation for California Community Colleges		(377,090)
Net cash provided (used) by investing activities	1,798,950	(562,868)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(36,597,310)	(1,668,483)
CASH BALANCE - Beginning of Year	168,879,119	5,496,406
CASH BALANCE - End of Year	\$ 132,281,809	\$ 3,827,923

See the accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2010

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

	Primary Government	Component Units
Operating income (loss)	\$ (175,658,243)	\$ 1,166,341
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Taxes		(332,923)
Net non-cash contributions		(1,774,102)
Realized and unrealized gain on investments, net		(717,552)
Change in value of split-interest agreement		8,424
Depreciation expense	13,608,527	472,943
Loss on sale of donated items		789,270
Loss on disposal of fixed assets	113,681	
Changes in assets and liabilities:		
Receivables, net	(2,075,080)	73,406
Investments		(242,714)
Due from other funds, net	(41,729)	
Inventory	720,788	
Prepaid expenses	93,657	116,620
Notes receivable	375,000	
Other post-employment benefit asset	2,335,609	
Accounts payable	2,810,823	(271,178)
Accrued liability and compensated absences	187,950	
Deferred revenue	(3,168,460)	78,645
Deferred tax liability		(10,000)
Due to District		52,908
Amounts held in trust for others	54,166	
Estimated liability for open claims and IBNR's	309,586	
Net cash used by operating activities	\$ (160,333,725)	\$ (589,912)

See the accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2010

	Orange Coast College Ancillary Fund	Associated Student Body Funds
ASSETS		
Cash on hand and in bank	\$ 2,011,318	\$ 7,070,327
Accounts receivable:		
Miscellaneous	14,156	97,296
Due from governmental funds		35,113
TOTAL ASSETS	\$ 2,025,474	\$ 7,202,736
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 81,689	\$ 42,757
Due to governmental funds	30,289	
Funds held in trust	1,913,496	1,166,104
TOTAL LIABILITIES	2,025,474	1,208,861
NET ASSETS		
Unrestricted		5,993,875
TOTAL NET ASSETS	-	5,993,875
TOTAL LIABILITIES AND NET ASSETS	\$ 2,025,474	\$ 7,202,736

See the accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
For the Fiscal Year Ended June 30, 2010

	<u>Associated Student Body Funds</u>
ADDITIONS	
Sales	\$ 1,801,377
Interest and investment income	955
Student representation fee	831,794
Other local revenues	<u>690,112</u>
TOTAL ADDITIONS	<u>3,324,238</u>
DEDUCTIONS	
Classified salaries	525,306
Employee benefits	156,723
Supplies and materials	21,009
Services and other operating expenses	1,930,442
Capital outlay	<u>35,563</u>
TOTAL DEDUCTIONS	<u>2,669,043</u>
Change in Net Assets	655,195
NET ASSETS, AT BEGINNING OF YEAR	<u>5,338,680</u>
NET ASSETS, END OF YEAR	<u>\$ 5,993,875</u>

See the accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY

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

The District considered its financial and operational relationships with potential component units under the reporting entity definition of Governmental Accounting Standard Board (GASB) Statement No. 14, *The Financial Reporting Entity*. 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 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.

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support the District or its other component units. 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.
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.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

A. REPORTING ENTITY (continued)

Based upon the application of the criteria listed above, the following five component units have been included in the District's reporting entity through discrete presentation.

Coast Community College District Foundation, Coastline College Foundation, Golden West College Foundation, Orange Coast College Foundation, and Coast Community College District Enterprise Corporation. Each Foundation is a separate not-for-profit corporation. In addition, Orange Coast Enterprise and Golden West College Enterprise are combined as a single for-profit corporation. The Board of Directors are elected independent of any District Board of Trustee's appointments. The Boards are responsible for approving their own budgets and accounting and finance related activities; however, the District's governing board has fiscal responsibility over each Foundation and the Enterprise Corporation.

Separate financial information for the Foundations and Enterprise Corporation can be obtained through the District.

B. FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the GASB, including Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* and including Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued in June and November 1999 and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants. The financial statement presentation required by GASB No. 34 and No. 35 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.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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.

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.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

C. BASIS OF ACCOUNTING (continued)

In accordance with GASB Statement No. 20, the District follows all GASB statements issued prior to November 30, 1989 until subsequently amended, superceded or rescinded. The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after the applicable date.

1. Cash and Cash Equivalents

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

2. Accounts Receivable

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

3. Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of items held for resale through the bookstore, food service and sailing center operations.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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

4. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

5. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts externally restricted as to use pursuant to the requirements of the District's grants, contracts, and debt service requirements.

6. Student Loans Receivable

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

7. Issue Costs

Amounts paid for fees and underwriting costs associated with long-term debt are capitalized and amortized to interest expense over the life of the liability. These costs are amortized using the straight-line method.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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

8. Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings valued at a cost of \$150,000 or more as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Interest incurred during construction is not capitalized.

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

9. Accounts Payable

Accounts payable consists of amounts due to vendors.

10. Accrued Liabilities

Accrued liabilities consist of salaries and benefits payable and load banking.

11. Deferred Revenue

Cash received for Federal and State special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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

12. Compensated Absences

In accordance with GASB Statement No. 16, accumulated unpaid employee vacation benefits are recognized as a liability of the District as compensated absences in the Statement of Net Assets.

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.

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 since such benefits do not vest nor is payment probable; 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.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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

13. Net Assets

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 assets – expendable: Restricted expendable net assets include 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 assets are available.

Restricted net assets – nonexpendable: Nonexpendable restricted net assets 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 assets – nonexpendable.

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

14. State Apportionments

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

Any prior year corrections due to the recalculation in February of 2011 will be recorded in the year computed by the State.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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

15. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments by December 10 and April 10. 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. Property taxes for debt service purposes cannot be estimated and have therefore not been accrued in the basic financial statements.

16. On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' and Public Employees' Retirement Systems on behalf of all Community Colleges in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at \$1,425,500 for State Teachers' Retirement System (STRS).

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

C. BASIS OF ACCOUNTING (continued)

17. Classification of Revenues

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

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

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

18. Scholarship Discounts and Allowances

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

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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

19. Estimates

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

NOTE 2 - DEPOSITS:

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. All public funds are invested in bonds or government backed (collateralized) securities at 110% of the amount on deposit. The principal (face value) does not fluctuate, only the interest received on the investment. As of June 30, 2010, \$26,009,644 of the District's bank balance of \$26,301,363 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	\$26,009,644
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Cash in County

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Orange County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2010, as provided by the pool sponsor, was \$116,193,425.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2 - DEPOSITS: (continued)

Cash in County (continued)

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, State registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 3 - ACCOUNTS RECEIVABLE:

The accounts receivable balance as of June 30, 2010 consists of the following:

Federal and State	\$23,423,893
Miscellaneous	3,111,433
Student loans	<u>3,292,806</u>
	<u>\$29,828,132</u>

NOTE 4 – NOTES RECEIVABLE:

The District has a note receivable in the amount of \$17,500,000 for the sale of KOCE and the KOCE-TV operating license on March 17, 2004. The payments will be made to the District over the next 26 years. The District is receiving quarterly payments of \$125,000.

NOTE 5 - INTERFUND TRANSACTIONS:

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

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 6 - CAPITAL ASSETS:

The following provides a summary of changes in capital assets for the year ended June 30, 2010:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2010</u>
Capital Assets Not Being Depreciated:				
Land	\$ 9,763,965	\$ 14,378,004	\$	\$ 24,141,969
Construction in progress	62,792,085	49,812,218	(20,083,071)	92,521,232
Total capital assets not being depreciated:	<u>72,556,050</u>	<u>64,190,222</u>	<u>(20,083,071)</u>	<u>116,663,201</u>
Capital Assets Being Depreciated:				
Buildings and site improvements	413,759,974	5,705,067		419,465,041
Equipment	33,925,640	680,264	(2,042,636)	32,563,268
Total capital assets being depreciated:	<u>447,685,614</u>	<u>6,385,331</u>	<u>(2,042,636)</u>	<u>452,028,309</u>
Less accumulated depreciation for:				
Buildings and site improvements	(146,517,222)	(11,848,951)		(158,366,173)
Equipment	(29,117,387)	(1,759,576)	1,928,955	(28,948,008)
Total accumulated depreciation	<u>(175,634,609)</u>	<u>(13,608,527)</u>	<u>1,928,955</u>	<u>(187,314,181)</u>
Governmental capital assets, net	<u>\$ 344,607,055</u>	<u>\$ 56,967,026</u>	<u>\$ (20,196,752)</u>	<u>\$ 381,377,329</u>

NOTE 7 - CAPITAL LEASE:

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

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 134,431	\$ 52,759	\$ 187,190
2012	140,713	46,477	187,190
2013	147,289	39,901	187,190
2014	154,173	33,017	187,190
2015	161,378	25,812	187,190
2016-2018	<u>437,214</u>	<u>30,760</u>	<u>467,974</u>
Total	<u>\$ 1,175,198</u>	<u>\$ 228,726</u>	<u>\$ 1,403,924</u>

Current year expenditure for this lease is approximately \$128,000. The District will receive no sublease rental revenues nor pay any contingent rentals for this agreement.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 8 - LEASES:

A. Operating Leases

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

<u>Year Ended</u> <u>June 30,</u>	<u>Lease</u> <u>Payment</u>
2011	\$ 745,824
2012	723,422
2013	556,791
2014	407,169
2015	<u>299,159</u>
Total	<u>\$ 2,732,365</u>

Current year expenditures for operating leases was approximately \$766,800. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 8 - LEASES: (continued)

B. Operating Lease Revenue

The District entered an operating lease agreement as lessor with an automobile dealership to lease approximately four acres of land near the District office. The lease is effective October 1, 2006 for a term of 25 years. The first three years of payments, totaling \$1,440,000, were made to the District in advance when the lease became effective. The remaining future payments are as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2011	\$ 480,000
2012	480,000
2013	480,000
2014	480,000
2015	480,000
2016-2020	2,400,000
2021-2025	2,400,000
2026-2030	2,400,000
2031-2032	<u>920,000</u>
Total	<u>\$ 10,520,000</u>

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 9 – GENERAL OBLIGATION BONDS:

On November 5, 2002, the District voters approved the issuance and sale of general obligation bonds totaling \$370,000,000. Proceeds from the sale of the bonds will be used to finance the construction, acquisition, and modernization of certain property and District facilities and to provide a portion of the monies needed to prepay certain lease obligations of the District.

The outstanding general obligation bonded debt of Coast Community College District at June 30, 2010 is:

	<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2009</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2010</u>
Series A	4/17/2003	2.50 - 5.50	8/1/2016	\$ 110,000,000	\$ 17,995,000	\$	\$ 2,970,000	\$ 15,025,000
Refunding	3/10/2005	3.00 - 5.25	8/1/2022	74,893,867	64,738,867		3,190,000	61,548,867
Series B	6/28/2006	3.63 - 5.00	8/1/2030	149,859,831	148,794,831		790,000	148,004,831
Series C	6/28/2006	3.63 - 5.00	8/1/2036	110,140,169	110,140,169			110,140,169
				<u>\$ 444,893,867</u>	<u>\$ 341,668,867</u>	<u>\$ -</u>	<u>\$ 6,950,000</u>	<u>334,718,867</u>
							Deferred charge on refunding	(1,794,224)
							Premium	11,353,784
							Accreted interest	28,000,946
							Total	<u>\$ 372,279,373</u>

Series A

The annual payments for Series A, outstanding as of June 30, 2010 are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,105,000	\$ 609,075	\$ 3,714,075
2012	3,225,000	482,475	3,707,475
2013	3,355,000	342,488	3,697,488
2014	3,505,000	179,375	3,684,375
2015	605,000	76,625	681,625
2016-2017	<u>1,230,000</u>	<u>60,500</u>	<u>1,290,500</u>
	<u>\$ 15,025,000</u>	<u>\$ 1,750,538</u>	<u>\$ 16,775,538</u>

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 9 – GENERAL OBLIGATION BONDS: (continued)

Series A (continued)

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series A bonds included a premium of \$1,293,840. This amount is amortized using the straight-line method. Amortization of \$85,780 was recognized during the 2009-10 year.

Refunding

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

The debt service requirement for the Refunding Bonds outstanding as of June 30, 2010 is as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Current Interest Component</u>	<u>Total</u>
2011	\$ 2,995,000	\$	\$ 2,814,399	\$ 5,809,399
2012	3,575,000		2,685,013	6,260,013
2013	4,220,000		2,496,925	6,716,925
2014	4,955,000		2,287,050	7,242,050
2015	5,600,000		2,040,950	7,640,950
2016-2020	32,585,000		5,491,225	38,076,225
2021-2023	7,618,867	15,471,132	125,000	23,214,999
	<u>\$ 61,548,867</u>	<u>\$ 15,471,132</u>	<u>\$ 17,940,562</u>	<u>\$ 94,960,561</u>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Refunding Bonds included a premium of \$9,060,253. This amount is amortized using the straight-line method. Amortization of \$600,677 was recognized during the 2009-10 year.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 9 – GENERAL OBLIGATION BONDS: (continued)

Refunding (continued)

Capital appreciation bonds were issued as part of the Refunding Bonds issuance with maturity dates from August 1, 2020 through 2022. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued of \$1,715,062 has been reflected as long-term debt.

The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$2,536,664. Amortization of \$148,488 was recognized during the 2009-10 year.

Series B and C

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

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 9 – GENERAL OBLIGATION BONDS: (continued)

Series B and C (continued)

The required annual payments for Series B and C outstanding as of June 30, 2010 are as follows:

Series B

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Current Interest Component</u>	<u>Total</u>
2011	\$ 1,850,000	\$	\$ 4,893,344	\$ 6,743,344
2012	2,165,000		4,792,969	6,957,969
2013	2,510,000		4,676,094	7,186,094
2014	2,885,000		4,541,219	7,426,219
2015	785,000		4,452,903	5,237,903
2016-2020	20,790,000		20,271,220	41,061,220
2021-2025	68,160,000		10,159,750	78,319,750
2026-2030	38,790,977	69,299,023		108,090,000
2031	<u>10,068,854</u>	<u>23,551,146</u>		<u>33,620,000</u>
	<u>\$ 148,004,831</u>	<u>\$ 92,850,169</u>	<u>\$ 53,787,499</u>	<u>\$ 294,642,499</u>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series B bonds included a premium of \$1,965,154. This amount is amortized using the straight-line method. Amortization of \$67,320 was recognized during the 2009-10 year.

Capital appreciation bonds were issued as part of the Series B issuance with maturity dates from August 1, 2025 through 2030. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued of \$7,983,931 has been reflected as long-term debt.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 9 – GENERAL OBLIGATION BONDS: (continued)

Series B and C (continued)

Series C

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Current Interest Component</u>	<u>Total</u>
2011	\$	\$	\$	\$ -
2012				-
2013				-
2014			2,830,500	2,830,500
2015			5,661,000	5,661,000
2016-2020			28,305,000	28,305,000
2021-2025			28,305,000	28,305,000
2026-2030	21,596,006	8,968,994	27,540,875	58,105,875
2031-2035	76,011,543	84,848,457	9,007,625	169,867,625
2036-2037	<u>12,532,620</u>	<u>48,672,381</u>		<u>61,205,001</u>
	<u>\$ 110,140,169</u>	<u>\$ 142,489,832</u>	<u>\$ 101,650,000</u>	<u>\$ 354,280,001</u>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series C bonds included a premium of \$1,444,299. This amount is amortized using the straight-line method. Amortization of \$49,477 was recognized during the 2009-10 year.

Capital appreciation bonds were issued as part of the Series C issuance with maturity dates from August 1, 2029 through 2036. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued of \$18,301,953 has been reflected as long-term debt.

In addition, associated issuance costs for Series B and C are reflected on the statement of net assets and are amortized to interest expense over the life of the liability. Issuance costs of \$3,502,399 are amortized using the straight-line method. Amortization of \$120,084 was recognized during the 2009-10 year.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 10 - LONG-TERM DEBT:

A schedule of changes in long-term debt for the year ended June 30, 2010 is shown below:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010	Amounts Due in One Year
General obligation bonds:					
Bonds payable	\$ 341,668,867	\$	\$ 6,950,000	\$ 334,718,867	\$ 7,950,000
Premium	12,157,038		803,254	11,353,784	803,254
Accreted interest	18,409,524	9,591,422		28,000,946	
Deferred liability	(1,942,712)		(148,488)	(1,794,224)	
Capital leases	1,303,627		128,429	1,175,198	134,431
Compensated absences	4,411,185		463,054	3,948,131	741,457
Total	<u>\$ 376,007,529</u>	<u>\$ 9,591,422</u>	<u>\$ 8,196,249</u>	<u>\$ 377,402,702</u>	<u>\$ 9,629,142</u>

NOTE 11 - EMPLOYEE RETIREMENT PLANS:

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

State Teachers' Retirement System (STRS)

Plan Description

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

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 11 - EMPLOYEE RETIREMENT PLANS: (continued)

State Teachers' Retirement System (STRS) (continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-10 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Public Employees' Retirement System (PERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2009-10 was 9.709% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 11 - EMPLOYEE RETIREMENT PLANS: (continued)

Contributions to STRS and PERS

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

<u>Year Ended</u> <u>June 30,</u>	<u>STRS</u>		<u>PERS</u>	
	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2008	\$6,295,669	100%	\$5,495,058	100%
2009	6,049,809	100%	5,802,777	100%
2010	5,830,447	100%	6,038,825	100%

Public Agency Retirement System (PARS)

Plan Description

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

Funding Policy

Contributions of 7.5% of covered compensation of eligible employees are made by the employer and employee. Total contributions, employer and employee combined, were made in the amount of \$755,604 during the fiscal year. The total amount of covered compensation was \$10,074,719. Total contributions made are 100% of the amount of contributions required for fiscal year 2009-10.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 12 – POST-EMPLOYMENT HEALTH-CARE BENEFITS:

Plan Description

The District administers a single-employer defined benefit healthcare plan. The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. For employees participating in STRS and CalPERS, the eligibility requirement is a minimum age of 55 and a minimum ten years of service with the District. Additional age and service criteria may be required. The Retiree Health Plan does not issue a separate financial report.

Funding Policy

The contribution requirements are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements, with an annual adjustment to fully fund the actuarial determined annual required contribution. The District contributes 100 percent of the cost of current year premiums for eligible retired plan members and their spouses up to age 70 and \$4,000 maximum per year beyond age 70 until death. For fiscal year ended 2010, the District contributed \$5,947,543 to the plan for current year premiums, and total member contributions were \$2,078,874.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 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:

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 12 – POST-EMPLOYMENT HEALTH-CARE BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

Annual required contribution (ARC)	\$ 8,245,373
Interest on net OPEB obligation	(551,598)
Adjustment to annual required contribution	<u>589,377</u>
Annual OPEB cost (expense)	8,283,152
Contributions made	<u>(5,947,543)</u>
Change in net OPEB obligation	2,335,609
Net OPEB obligation (asset) - beginning of year	<u>(7,879,969)</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (5,544,360)</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB asset were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
6/30/2008	\$ 6,794,492	100.00%	\$ 9,275,228
6/30/2009	6,820,771	79.54%	7,879,969
6/30/2010	8,283,152	71.81%	5,544,360

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 12 – POST-EMPLOYMENT HEALTH-CARE BENEFITS: (continued)

Funding Status and Funding Progress

As of May 1, 2010, the most recent actuarial valuation date, the plan was 32.5% funded. The actuarial accrued liability for benefits was \$90.5 million, and the unfunded actuarial accrued liability (UAAL) was \$61 million. The covered payroll (annual payroll of active employees covered by the plan) was \$107 million, and the ratio of the UAAL to the covered payroll was 57%. In fiscal year 2007, the District established an irrevocable trust administrated by the Retiree Health Benefit Program Joint Powers Agreement (JPA) organized by the Community College League of California. There were no irrevocable contributions to the trust in fiscal year 2009-10.

Actuarial valuations of an ongoing benefit plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health-care 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 health-care 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.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 12 – POST-EMPLOYMENT HEALTH-CARE BENEFITS: (continued)

Actuarial Methods and Assumptions (continued)

The actuarial cost method used in determining the benefit obligations is the Entry Age Normal cost method. The actuarial assumptions included a 7.0 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual health-care cost trend rate of 4.0 percent which includes 3.0 percent inflation rate. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The initial UAAL is being amortized as a level percentage of payroll with a closed 20 year amortization period. The residual UAAL is amortized using an open 30 year period. The remaining amortization period at June 30, 2010, was seventeen years.

NOTE 13 - JOINT POWERS AGREEMENT:

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

The relationship between the District and the JPAs is such that none of the JPAs are a component unit of the District for financial reporting purposes.

PIPS provides workers' compensation reinsurance protection to its membership for public schools and community colleges throughout California.

SELF arranges for and provides a self-funded or additional insurance for excess liability fund for approximately 1,100 public educational agencies. SELF is governed by a board of 16 elected voting members, elected alternates, and two ex-officio members. The board controls the operations of SELF, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual contribution based upon that calculated by SELF's board of directors and shares surpluses and deficits proportionately to its participation in SELF.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 13 - JOINT POWERS AGREEMENT: (continued)

SEWUP provides enhanced protection against construction losses that could negatively impact school districts in California and to help maximize the use of public funding for school construction projects in California. Membership is comprised of 435 districts. Premiums are determined for each construction project or projects.

SWACC provides liability and property insurance for its member colleges. SWACC's membership consists of two joint power authority (JPA) members (which represent 21 districts) and 25 individual member districts for a total of 46 community college districts. A full Board of Directors comprised of one representative from each member governs SWACC. The Board elects from its members a President, Vice President, Secretary and Treasurer. Each member shares surpluses and deficits proportionately to its participation in SWACC.

Condensed financial information of PIPS, SELF, SEWUP, and SWACC for the most current information available is as follows:

	PIPS 6/30/2010 <u>(Audited)</u>	SELF 6/30/2009 <u>(Audited)</u>	SEWUP 6/30/2009 <u>(Audited)</u>	SWACC 6/30/2010 <u>(Unaudited)</u>
Total assets	\$ 117,734,937	\$ 209,217,000	\$ 27,044,299	\$ 46,019,292
Total liabilities	<u>69,742,511</u>	<u>161,555,000</u>	<u>14,643,916</u>	<u>21,417,925</u>
Retained earnings	<u>\$ 47,992,426</u>	<u>\$ 47,662,000</u>	<u>\$ 12,400,383</u>	<u>\$ 24,601,367</u>
Total revenues	\$ 5,305,101	\$ 26,645,000	\$ 9,375,700	\$ 11,118,079
Total expenditures	<u>596,363</u>	<u>27,701,000</u>	<u>7,862,074</u>	<u>12,547,315</u>
Net increase/(decrease) in retained earnings	<u>\$ 4,708,738</u>	<u>\$ (1,056,000)</u>	<u>\$ 1,513,626</u>	<u>\$ (1,429,236)</u>

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 14 - INTERNAL SERVICE FUND:

The District is exposed to various risks of loss related to; injuries to employees and medical claims. During the fiscal year, the District maintained an Internal Service Fund to account for and finance its uninsured risks of loss. The Self Insurance Fund provides for up to a maximum of \$250,000 for each workers' compensation claim prior to 6/30/1998. Beginning July 1, 1998, the District is fully insured for workers' compensation. The Self Insurance Fund also provides for up to a maximum of \$175,000 each plan year for medical claims. The District purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

At June 30, 2010, the District accrued the claims liability in accordance with GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The amount of liability is estimated at \$2,511,434. Changes in the reported liability are shown below:

	<u>Beginning Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Fiscal Year Liability</u>
Health and Benefits	\$1,669,465	\$ 17,625,996	\$17,316,410	\$1,979,051
Workers' Compensation	<u>532,383</u>	<u>163,519</u>	<u>163,519</u>	<u>532,383</u>
	<u>\$2,201,848</u>	<u>\$ 17,789,515</u>	<u>\$ 17,479,929</u>	<u>\$2,511,434</u>

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 15 - FUNCTIONAL EXPENSE:

	Salaries	Employee Benefits	Supplies, Materials, Utilities, Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional Activities	\$ 62,065,728	\$ 23,445,278	\$ 2,696,223	\$	\$	\$ 88,207,229
Academic Support	18,550,256	7,007,344	3,095,911			28,653,511
Student Services	17,249,942	6,516,151	1,078,649			24,844,742
Operation and Maintenance of Plant	6,456,747	2,439,031	4,874,118			13,769,896
Institutional Support	20,104,056	7,594,291	9,871,436			37,569,783
Community Services and Economic Development	384,715	145,326				530,041
Ancillary Services and Auxiliary Operations	19,468,088	6,391,374	14,055,289			39,914,751
Student Aid				41,434,905		41,434,905
Other Outgo	783,220	254,038	3,264,380			4,301,638
Depreciation Expense					13,608,527	13,608,527
Total	<u>\$ 145,062,752</u>	<u>\$ 53,792,833</u>	<u>\$ 38,936,006</u>	<u>\$ 41,434,905</u>	<u>\$ 13,608,527</u>	<u>\$ 292,835,023</u>

NOTE 16 - COMMITMENTS AND CONTINGENCIES:

A. Litigation

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

B. Purchase Commitments

As of June 30, 2010, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$32,101,400. Projects will be funded through bond proceeds, State funds and general funds.

REQUIRED SUPPLEMENTARY INFORMATION

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF POST-EMPLOYMENT HEALTH-CARE BENEFITS FUNDING PROGRESS

For the Fiscal Year Ended June 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Entry Age Normal Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
5/1/2008	\$ 27,621,836	\$ 80,045,719	\$ 52,423,883	34.5%	\$ 103,916,507	50.45%
5/1/2010	29,483,684	90,506,727	61,023,043	32.5%	107,075,771	57.00%

Note: The plan's segregated assets are held in an irrevocable trust administered by the Retiree Health Benefit Program Joint Powers Agreement.

See the accompanying notes to the required supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2010**

NOTE 1 - PURPOSE OF SCHEDULE:

Schedule of Post-employment Health-care Benefits Funding Progress

This schedule is prepared to show information for the most recent actuarial valuation and in future years, the 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.

SUPPLEMENTARY INFORMATION

COAST COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION

June 30, 2010

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

BOARD OF TRUSTEES

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Jim Moreno	Trustee	2010
Mr. Jerry Patterson	President	2012
Ms. Mary L. Hornbuckle	Trustee	2012
Dr. Lorraine Prinsky	Vice President	2012
Mr. Walter G. Howald	Trustee	2010
Mr. Lee Fuller	Student	2011

DISTRICT EXECUTIVE OFFICERS

<u>Name</u>	<u>Title</u>
Dr. Ding-Jo Currie	Chancellor
Dr. Dennis Harkins	President, Orange Coast College
Mr. Wes Bryan	President, Golden West College
Dr. Loretta Adrian	President, Coastline Community College
Mr. C.M. Brahmhatt	Vice Chancellor of Finance and Administrative Services
Ms. Deborah Hirsh	Vice Chancellor, Human Resources
Mr. John Breihan (Interim)	Vice Chancellor of Educational Services and Technology

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. Department of Education:			
Direct:			
Student Financial Aid Cluster:			
Administrative Allowance	84.063	N/A	\$ 104,143
Academic Competitiveness Grant	84.375A	N/A	158,819
American Recovery and Reinvestment Act (ARRA): Federal Work Study	84.033	N/A	107,599
Federal Work Study	84.033	N/A	505,924
Direct Student Loans	84.268	N/A	3,212,736
Federal Family Education Loans	84.032	N/A	3,624,018
Pell	84.063	N/A	30,426,819
Supplemental Educational Opportunities Grant (SEOG)	84.007	N/A	458,846
Subtotal Student Financial Aid Cluster			<u>38,598,904</u>
North American Renewable Energy Technology, No American Renewable Energy Technology	84.116N	N/A	48,867
Strengthening Institutions, Title III	84.031A	N/A	488,375
Passed Through California Department of Education:			
Vocational and Applied Technology Education Act, Tech Prep Consortia Project	84.048	23335	203,101
Vocational and Applied Technology Education Act, Tech Prep Regional Coordination	84.048	13929	315,000
Vocational and Applied Technology Education Act, Title I, Part C	84.048	23381	1,160,575
Vocational and Applied Technology Education Act, BIC-Business/CIS Education Advisory	84.048	23373	300,000
Vocational and Applied Technology Education Act, Career Development, State Advisory	84.048	23373	100,000
Vocational and Applied Technology Education Act, CIS Business Education, State Advisory	84.048	23373	37,995
Vocational and Applied Technology Education Act, Collaborative Learning	84.048	23373	100,000
English Literacy and Civics Education	84.002A	(1)	34,269
ESL-231 Grant	84.002A	(1)	87,657
Passed through California Community College Chancellor's Office:			
State Fiscal Stabilization Fund	84.394	(1)	715,270
Department of Agriculture:			
Passed through the California Department of Education:			
Child Development Food Program	10.558	(1)	55,470
Department of Health and Human Services			
Passed through California Community College Chancellor's Office:			
Temporary Assistance for Needy Families (TANF) Cluster:			
TANF Program	93.558	N/A	120,544
ARRA - Emergency Contingency Fund for TANF Program	93.714	(1)	82,218
Passed through California Department of Education:			
Child Development Federal Block Grant	93.596	13609,13941,13942	53,179
Child Development Programs	93.575	14130	17,104
Passed Through Yosemite Community College District			
Child Development Consortium	93.575	(1)	23,764

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Department of Labor:			
Passed Through County of Orange Housing and Community Services Department			
Workforce Investment Act Cluster:			
Workforce Investment Act, 15% Veteran Disadvantaged Worker	17.258	R865476	50,853
Workforce Investment Act, 25% Veteran Dislocated Worker	17.260	R865476	52,089
Workforce Investment Act, Disadvantaged Adult, Title II	17.258	R865476	747,279
Workforce Investment Act, Dislocated Worker Title III	17.260	R865476	1,465,061
Workforce Investment Act, ARRA, Disadvantaged Adult	17.258	R865476	389,962
Workforce Investment Act, ARRA, Employee Services and Dislocated Services	17.260	R865476	1,561,686
Workforce Investment Act, National Emergency Mortgage Grant	17.260	R865476	352,403
Workforce Investment Act, Orange County Support Services, Rapid Response	17.260	R865476	221,262
Workforce Investment Act, 25% Regional Veteran Services	17.260	R865476	102,822
Workforce Investment Act, 15% Regional Veteran Services	17.258	R865476	97,615
Workforce Investment Act, Allied Health Workforce	17.258	23522, 23530	113,592
Workforce Investment Act, ARRA, High Demand Training	17.258	(1)	182,649
Workforce Investment Act, ARRA High Demand Training Services,	17.260	(1)	156,805
Workforce Investment Act, New Start Prison to Employment	17.258	R970554	48,115
Subtotal Workforce Investment Act Cluster			<u>5,542,193</u>
Workforce Investment Act, Technology Based Learning	17.269	(1)	88,158
Workforce Investment Act, Nursing Expansion	17.207	(1)	402,000
Workforce Investment Act, Navigator Grant	17.261	R865476	31,962
Workforce Investment Act, Senior Community Service Svc Employment	17.235	R865476	98,742
National Science Foundation:			
Direct:			
C-Spirit Curriculum Development	47.076	N/A	<u>46,897</u>
Total federal program expenditures			<u>\$ 48,752,244</u>
Student Financial Aid Loan Program:			
Perkins Program:	84.038		
Coast Community College District had the following loan balance outstanding as of 6/30/10			<u>\$ 3,281,923</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.

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE-GRANTS

For the Fiscal Year Ended June 30, 2010

Program Name	Program Revenues			Accounts Payable	Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Revenue			
State Categorical Aid Programs:						
AS Registered Nurse Enrollment Growth Retention	\$ 294,276	\$ 22,705	\$ -	\$ -	\$ 316,981	\$ 316,981
AS Registered Nurse Nursing Degree Program	80,543				80,543	80,543
At Risk Children's Boating Scholarships	20,843		3,789		17,054	17,054
Basic Skills 08/09	454,304		330,374		123,930	123,930
Basic Skills 07/08	345,975				345,975	345,975
Basic Skills 09/10	286,873		285,615		1,258	1,258
Board Financial Assistance Administrative Allowance	1,476,324		102,166		1,374,158	1,374,158
CAWORKS	546,258			7,381	538,877	538,877
Career Technology Education Community Collaborative	650,836		226,288		424,548	424,548
Child Development Apportionment	187,819				187,819	187,819
Child Development Preschool Program	151,361	1,142			152,503	152,503
Community Collaborative Grant	310,000		310,000		-	-
Disabled Student Program Services (DSPS)	1,678,653				1,678,653	1,678,653
Economic Opportunity (EOPS)	1,955,085				1,955,085	1,955,085
EOPS-Coop Agency Resource Education	135,520				135,520	135,520
Evaluation Grant/State Career Tech Education	1,455,258	87,217	820,684		721,791	721,791
Industry Driven Regional Collaborative	91,971	17,519			109,490	109,490
Instructional Equipment / Library Materials	127,335		73,492		53,843	53,843
Instructional Equipment / Library Materials one-time	138,675		137,239		1,436	1,436
Lottery-Restricted Materials	294,963	539,618	378,622		455,959	455,959
Matriculation	1,218,987				1,218,987	1,218,987
Matriculation-Non Credit	57,066				57,066	57,066
Mental Health Training CA Law Enforcement	58,092	34,075			92,167	92,167
Middle College/High School - OCC	48,765	50,762			99,527	99,527
Nursing & Allied Health Equipment	18,571				18,571	18,571
On-The-Job-Training/Work Experience	214,073			18	214,055	214,055
RHORC Health Care Development	85,403	16,267			101,670	101,670
SII-Live Caption-Instructional Improvement	256		256		-	-
Staff Development	22,689		15,869		6,820	6,820
Staff Diversity	22,897		9,489		13,408	13,408
State Capital Outlay	9,317,481	4,085,219			13,402,700	13,402,700
State Hospital Program (Fairview)	632,817				632,817	632,817
STEM Career Technology Education Community Collaborative	288,571				288,571	288,571
Telecommunications and Technology Infrastructure Program (TTIP) Grant	116,520		35,821		80,699	80,699
Transfer and Articulation	5,445				5,445	5,445
Virtual Training for Law Enforcement	240,000	91,264			331,264	331,264
Total State Programs	\$ 23,030,505	\$ 4,945,788	\$ 2,729,704	\$ 7,399	\$ 25,239,190	\$ 25,239,190

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
ANNUAL (ACTUAL) ATTENDANCE
For the Fiscal Year Ended June 30, 2010

	<u>Factored FTES</u>
	<u>Reported</u>
	<u>Data</u>
A. Summer Intersession (Summer 2009 only)	
1. Noncredit ¹	77.65
2. Credit	2,387.00
B. Summer Intersession (Summer 2010 - Prior to July 1, 2010)	
1. Noncredit ¹	
2. Credit	
C. Primary Terms (Exclusive of Summer Intersession)	
1. Census Procedure Courses	
(a) Weekly Census Contact Hours	24,364.43
(b) Daily Census Contact Hours	1,385.14
2. Actual Hours of Attendance Procedure Courses	
(a) Noncredit ¹	674.95
(b) Credit	1,545.88
3. Independent Study/Work Experience	
(a) Weekly Census Contact Hours	4,409.52
(b) Daily Census Contact Hours	1,258.13
(c) Noncredit Independent Study/Distance Education Courses	
D. Total FTES	<u><u>36,102.70</u></u>
Supplemental Information (subset of above information)	
E. In-Service Training Courses (FTES)	16.78
H. Basic Skills courses and Immigrant Education	
(a) Noncredit ¹	477.00
(b) Credit	3,284.95
<u>CCFS 320 Addendum</u>	
CDCP Noncredit FTES	N/A
Centers FTES	
(a) Noncredit	N/A
(b) Credit	N/A

¹ Including Career Development and College Preparation (CDCP) FTES
N/A - Workload Measure is not applicable

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FUND BALANCES
For the Fiscal Year Ended June 30, 2010

	Self-Insurance Fund	Associated Student Body Funds
	<u> </u>	<u> </u>
June 30, 2010 Annual Financial and Budget Report Fund Balance (CCFS-311)	\$ 45,366,944	\$ 5,931,371
Adjustments and Reclassifications:		
Understatement of accounts receivable		62,504
Understatement of incurred but not reported claims liability	(2,511,434)	
To remove other postemployment benefits trust fund for financial statement presentation	<u>(28,685,440)</u>	<u> </u>
June 30, 2010 Audited Financial Statement Fund Balances	<u>\$ 14,170,070</u>	<u>\$ 5,993,875</u>

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

See the accompanying notes to the supplementary information.

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

	<u>(Budget) 2011</u>		<u>2010</u>		<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
GENERAL FUND:								
Revenue								
Federal	\$ 8,883,008	4.11	\$ 10,745,253	5.04	\$ 8,359,093	3.78	\$ 7,519,038	3.37
State	82,061,398	37.97	82,816,481	38.81	95,160,680	42.99	99,178,356	44.40
County, Local and Other Sources	118,464,130	54.82	118,500,506	55.53	115,815,851	52.32	111,968,587	50.13
Other Financial Sources	500,000	0.23	-	-	-	-	-	-
Total Revenue	<u>209,908,536</u>	<u>97.14</u>	<u>212,062,240</u>	<u>99.38</u>	<u>219,335,624</u>	<u>99.09</u>	<u>218,665,981</u>	<u>97.90</u>
Expenditures								
Academic Salaries	73,419,506	33.97	80,805,960	37.87	83,247,032	37.61	81,423,244	36.45
Classified Salaries	51,538,206	23.85	55,435,203	25.98	56,482,752	25.52	55,925,369	25.04
Employee Benefits	48,760,557	22.56	49,033,184	22.98	48,164,864	21.76	45,266,847	20.26
Supplies and Materials	4,344,660	2.01	3,452,596	1.61	4,289,371	1.94	5,259,578	2.35
Other Operating Expenses and Services	25,991,763	12.03	19,621,859	9.20	22,723,876	10.26	20,955,084	9.38
Capital Outlay	2,590,851	1.20	2,072,905	0.97	2,163,104	0.97	5,713,967	2.56
Other Uses	7,011,577	3.24	1,449,613	0.68	2,344,907	1.06	2,132,887	0.96
Interfund Transfers Out	2,449,678	1.14	1,513,449	0.71	1,944,010	0.88	6,698,225	3.00
Total Expenditures	<u>216,106,798</u>	<u>100.00</u>	<u>213,384,769</u>	<u>100.00</u>	<u>221,359,916</u>	<u>100.00</u>	<u>223,375,201</u>	<u>100.00</u>
Change in Fund Balance	<u>\$ (6,198,262)</u>	<u>(2.87)</u>	<u>\$ (1,322,529)</u>	<u>(0.62)</u>	<u>\$ (2,024,292)</u>	<u>(0.91)</u>	<u>\$ (4,709,220)</u>	<u>(2.11)</u>
Ending Fund Balance	<u>\$ 13,500,000</u>	<u>6.25</u>	<u>\$ 19,698,262</u>	<u>9.23</u>	<u>\$ 21,020,791</u>	<u>9.50</u>	<u>\$ 23,045,083</u>	<u>10.32</u>
Available Reserve Balance	<u>\$ 13,500,000</u>	<u>6.25</u>	<u>\$ 13,293,671</u>	<u>6.23</u>	<u>\$ 16,750,000</u>	<u>7.57</u>	<u>\$ 15,850,000</u>	<u>7.10</u>
Full-time Equivalent Students	<u>36,103</u>		<u>36,103</u>		<u>37,319</u>		<u>35,383</u>	
Total Long-Term Debt	<u>\$ 378,442,999</u>		<u>\$ 377,402,702</u>		<u>\$ 376,007,529</u>		<u>\$ 372,670,545</u>	

IMPORTANT NOTES:

- (1) Available reserve balance is the amount designated for general reserve.
- (2) All percentages are of total expenditures excluding contingencies.
- (3) The California Community College Chancellor's Office has provided guidelines that recommend an ending fund balance of 3% of expenditures as a minimum, with a prudent ending fund balance being 5% of expenditures.

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE COMBINED GENERAL FUND
For the Fiscal Year Ended June 30, 2010

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Revenue from Federal Sources			
Higher Education Act	\$ 1,532,602	\$ 1,254,908	\$ (277,694)
Workforce Investment Act	8,603,996	6,163,054	(2,440,942)
Temporary Assistance for Needy Families (TANF)	215,757	202,762	(12,995)
Vocational and Technical Education Act	2,216,825	2,216,671	(154)
Other Federal Revenue	954,602	907,858	(46,744)
Revenue from State Sources			
General Apportionments	65,869,782	66,395,504	525,722
Categorical Apportionments	13,418,051	11,040,209	(2,377,842)
Other State Revenues	4,826,936	5,380,768	553,832
Revenue from Local Sources			
Property Taxes	87,500,000	88,187,814	687,814
Interest and Investment Income	600,000	432,105	(167,895)
Student Fees and Charges	26,911,844	25,864,936	(1,046,908)
Other Local Revenue	5,449,065	4,015,651	(1,433,414)
TOTAL REVENUES	<u>218,099,460</u>	<u>212,062,240</u>	<u>(6,037,220)</u>
EXPENDITURES			
Academic Salaries	81,138,120	80,805,960	332,160
Classified Salaries	57,025,256	55,435,203	1,590,053
Employee Benefits	48,623,352	49,033,184	(409,832)
Supplies and Materials	5,461,582	3,452,596	2,008,986
Other Operating Expenses & Services	27,436,490	19,621,859	7,814,631
Capital Outlay	2,901,219	2,072,905	828,314
Other Uses	1,762,677	1,449,613	313,064
TOTAL EXPENDITURES	<u>224,348,696</u>	<u>211,871,320</u>	<u>12,477,376</u>
Excess (deficiency) of revenues over expenditures	<u>(6,249,236)</u>	<u>190,920</u>	<u>6,440,156</u>
OTHER FINANCING SOURCES (USES)			
Interfund Transfers Out	<u>(1,538,388)</u>	<u>(1,513,449)</u>	<u>24,939</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,538,388)</u>	<u>(1,513,449)</u>	<u>24,939</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (7,787,624)</u>	<u>(1,322,529)</u>	<u>\$ 6,465,095</u>
Fund Balances at Beginning of Year		<u>21,020,791</u>	
Fund Balances at End of Year		<u>\$ 19,698,262</u>	

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2010

NOTE 1 - PURPOSE OF SCHEDULES:

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

The audit of the Coast Community College District for the year ended June 30, 2010 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. To comply with A-133 and state requirements, the Schedule of Federal Awards and the Schedule of State Financial Assistance was prepared on the modified accrual basis of accounting.

B. Schedule of Workload Measures for State General Apportionment

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

C. Reconciliation of Annual Financial and Budget Report with Audited Fund Balances

This schedule reports any audit adjustments made to the fund balances of all funds as reported on the Form CCFS-311.

D. Schedule of General Fund Financial Trends and Analysis

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

E. Schedule of Budgetary Comparison for the Combined General Fund

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

OTHER INDEPENDENT AUDITORS' REPORTS



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

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

We have audited the basic financial statements of Coast Community College District (the District) as of and for the year ended June 30, 2010 which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 16, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coast Community College District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coast Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 10-01.

Coast Community College District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, the Board, the California Department of Finance, the State Chancellor's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

November 16, 2010



**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Coast Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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. Our audit does not provide a legal determination of the District's compliance with those requirements.

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

In our opinion, the District complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the audit committee, the Board, the California Department of Finance, the State Chancellor's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

November 16, 2010



REPORT ON STATE COMPLIANCE

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

We have audited the basic financial statements of Coast Community College District, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 16, 2010.

Our audit was made in accordance with auditing standards generally accepted in the United States of America, and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following state laws and regulations in accordance with the Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM). Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination:

- Whether the District's salaries of classroom instructors equal or exceed 50 percent of the District's current expense of education in accordance with Section 84362 of the Education Code.
- Whether the District has the appropriate documentation to support the FTES, if any, that are claimed for instructional service agreements/contracts.
- Whether the District has the ability to support timely accurate and complete information for workload measures used in the calculation of State General Apportionment.

REPORT ON STATE COMPLIANCE

- Whether the District has acted to ensure that the residency of each student is properly classified and that only the attendance of California residents is claimed for apportionment purposes.
- Whether the District claimed for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date.
- Whether District has complied with all requirements necessary to claim FTES for the attendance of concurrently enrolled K-12 pupils.
- For programs not impacted by the provisions of Education Code Section 84043, whether the District had local funds to support at least 75 percent of the credit matriculation activities and that all matriculation expenditures are consistent with the District's State approved matriculation plan.
- For programs impacted by the provisions of Education Code Section 84043, whether the District held a regularly scheduled public hearing before funds were redirected and whether the funds were redirected among designated programs.
- Whether the Gann Limit Calculation was properly calculated and supported by adequate documentation.
- Whether the District is reporting the total amount that students should have paid for enrollment fees for the purpose of determining the District's share of annual apportionment.
- Whether the District expended CalWORKs program State and TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKs students.
- Whether the District spent an amount equal to or greater than the amount provided by the State for scheduled maintenance and special repairs. Funds provided by the State must be to supplement, not supplant, District scheduled maintenance funds. The amount expended for plant maintenance and operations during the base year of 1995-96 was \$8,928,842.
- Whether all District courses that qualify for State apportionment are open to enrollment by the general public unless specifically exempted by statute.
- Whether the District has adopted policies or regulations regarding the authority of the District to require students to provide various types of instructional materials and whether the District has advised students of the exemptions from payment of health fees and established a process to ensure that students may claim the exemptions.

In our opinion, except for finding 10-01 described in the accompanying schedule of findings and questioned costs Coast Community College District complied with the compliance requirements for the state programs listed and tested above. Nothing came to our attention as a result of the aforementioned procedures to indicate that Coast Community College District had not complied with the terms and conditions of state assisted educational programs not selected for testing.

REPORT ON STATE COMPLIANCE

Our examination of compliance made for the purposes set forth in the preceding paragraph of this report would not necessarily disclose all instances of noncompliance.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, Board, the California Department of Finance, the State Chancellor's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

November 16, 2010

FINDINGS AND RECOMMENDATIONS

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2010

Financial Statements

Type of auditor's report issued: Unqualified

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

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

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

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>
17.258, 17.260	Workforce Investment Act
84.007, 84.032, 84.033, 84.063, 84.268 and 84.375A	Student Financial Assistance Cluster of Programs
84.031A	Strengthening Institutions, Title III
84.394	State Fiscal Stabilization Fund
93.558, 93.714	Temporary Assistance for Needy Families Cluster

Dollar threshold used to distinguish between Type A
 and Type B programs: \$304,600

Auditee qualified as low-risk auditee? X Yes No

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2010

FINDING 10-01 – STATE COMPLIANCE: MATERIAL FEES

Original Finding 07-3

Finding: In accordance with regulations of the California Education Code, Section 76365, and the California Code of Regulations, Title 5, Section 59400-59408, students shall be required to provide required instructional and other materials for a credit or noncredit course, provided such materials are of continuing value to the student outside the classroom, and are not solely or exclusively available from the District. In addition, the materials must be tangible personal property that is owned or primarily controlled by the student. In our procedures performed, we noted that the students were paying fees for laboratory animals which do not have continuing value and are not tangible personal property.

Recommendation: The District must continue efforts to review all material fees charged to determine if they meet the criteria of a) have continuing value to the students outside the classroom setting and b) are tangible personal property that is owned or primarily controlled by the student. Fees charged for classes that do not meet the criteria should not be imposed.

District Response: The District is in the process of reviewing all material fees at each campus and will continue to ensure that student fees are charged in accordance with the California Education Code and Title 5.

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2010

There were no findings and questioned costs related to federal awards for the year ended June 30, 2010.

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2010

FINDING 09-01 – STATE COMPLIANCE: MATERIAL FEES

Finding: In accordance with regulations of the California Education Code, Section 76365, and the California Code of Regulations, Title 5, Section 59400-59408, students shall be required to provide required instructional and other materials for a credit or noncredit course, provided such materials are of continuing value to the student outside the classroom, and are not solely or exclusively available from the District. In addition, the materials must be tangible personal property that is owned or primarily controlled by the student. In our procedures performed for 10 courses, the District charged the students more than the actual cost of the materials for one course. Moreover, for three courses, the students were paying fees for laboratory animals and groceries which do not have continuing value and are not tangible personal property.

Recommendation: We commend the District for making significant progress in establishing procedures to document actual cost paid for the materials and how each unit cost paid for the materials tied to fees charged to each student. However, the District must continue efforts to review all materials fees charged to determine if they meet the criteria of a) have continuing value to the students outside the classroom setting and b) are tangible personal property that is owned or primarily controlled by the student. Fees charged for classes that do not meet the criteria should not be imposed.

Current Status: Not implemented. See current year finding 10-01.

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2010

FINDING 09-02 – STATE COMPLIANCE: CONCURRENT ENROLLMENT

Finding: Procedures should be in place to adequately calculate and monitor for compliance with the concurrent enrollment ten percent and five percent rules. Per Education Code Section 76002(a)(4), the District shall not receive State apportionment for special part-time and full-time students enrolled in physical education courses as defined below:

- Five Percent Rule – courses where the ratio of special part-time and full-time students is in excess of five percent of the District’s total reported FTES (Full Time Equivalent Students) of special part-time and full-time students
- Ten Percent Rule – courses where the ratio of special part-time and full-time students exceeds ten percent of total enrollment in each course section

Our testing noted that monitoring procedures are not in place over concurrent enrollment. Based upon the reports provided, we determined that the District was not in compliance in regards to the five percent rule, and also we identified two physical education courses with enrollment of special part-time and fulltime students in excess of ten percent of total enrollment. Course sections in excess of ten percent are an indication of non-compliance and overstate the FTES claimed on the CCFS-320.

Recommendation: Develop procedures to monitor and exclude the FTES generated as of census date for physical education courses in excess of the ten percent and five percent maximum from the CCFS-320 report.

Current Status: Implemented.

COAST COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2010

FINDING 09-03: ATTENDANCE: FULL-TIME EQUIVALENT STUDENT (FTES)

Finding: For all three campuses, we were unable to agree the detail and summary reports used to report FTES for student contact hours of daily census courses.

Questioned Cost: Understatement of 19.96 FTES

Recommendation: The District should continue to identify and correct any noted inconsistencies between the detail and summary reports. Additionally, the support and reports used to prepare the attendance reports should be periodically reviewed to ensure that the detail and summary amounts agree and the reports provide accurate data.

Current Status: Implemented.

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2010

FINDING 09-04 - ANTI-FRAUD PROGRAM

Finding: In accordance with auditing standards (SAS 99) related to our consideration of fraud, we are required to assess the organization's anti-fraud program. Although the District has some processes in place, we believe that additional controls and policies would strengthen the District's programs and bring it into alignment with the recommendations published by the American Institute of Certified Public Accountants, in their document entitled "Management Antifraud Programs and Controls: Guidance to Help Prevent, Deter, and Detect Fraud." The following recommendations are the result of interviews with a sample of management and employees regarding the culture of the organization and the intricacies of the current antifraud program.

Recommendation: We believe the District should consider the following:

- Adopt an organizational-wide code of ethics, which is permeated throughout the organization at least annually. It is important to provide a written document to promote honest and ethical conduct. This should be effectively communicated to employees through annual confirmation, training and management oversight.
- Integrate ethics into the training program for employees, including training on understanding and being aware of red flags related to fraud. This demonstrates the District's commitment to fraud awareness throughout the entity.
- Incorporate a formal, anonymous mechanism for reporting concerns about fraud. This should include a documented process for the receipt, retention and treatment of complaints that is confidential and anonymous.
- Conduct an analysis of the role management and the Audit Committee has in developing and implementing the antifraud program. Items to consider include whether the current staff levels adequately meet the objectives of the District, whether the staff is receiving sufficient training, whether the organizational structure provides a sufficient level of authority and oversight of the operations and whether tools are sufficient to enable staff to analyze and utilize computer assisted techniques. In the review of objectives, we believe attention should be given to provide a greater emphasis on risk-assessment in the financial accounting system, including FTES accounting and reporting.

Current Status: Substantially implemented.

CONTINUING DISCLOSURE INFORMATION

COAST COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE INFORMATION (UNAUDITED)
June 30, 2010

Assessed valuation for fiscal year 2009-10	\$93,420,654,067	(1)
Secured tax levies for fiscal year 2009-10	\$ 80,381,443	(1)
Secured tax delinquencies for fiscal year 2009-10	\$ 1,777,830	(1)
Secured tax collections for fiscal year 2009-10	\$ 78,603,613	(1)

Largest 2009-10 Local Secured Taxpayers

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2009-10 Assessed Valuation</u>	<u>% of Total (1)</u>
1. The Irvine Company	Commercial	\$1,551,256,228	1.66%
2. South Coast Plaza	Commercial	298,786,172	0.32
3. Rreef America REIT II Corp.	Commercial	266,940,501	0.29
4. United Dominion Realty LP	Apartments	262,914,520	0.28
5. Maguire Properties-Pacific Arts Plaza	Commercial	262,840,170	0.28
6. Bella Terra Associates LLC	Commercial	214,242,318	0.23
7. Mayer Financial, LP	Commercial	199,805,288	0.21
8. McDonnell Douglas Corp.	Industrial	154,227,802	0.17
9. Bella Terra Office JV LLC	Commercial	142,950,951	0.15
10. RTS-Sunflower, LLC	Apartments	141,252,266	0.15
11. 100 Bayview LLC	Commercial	124,161,333	0.13
12. Arden Realty LP	Commercial	123,633,710	0.13
13. Interinsurance Exchange of the Automobile Club of America	Commercial	121,828,168	0.13
14. Retail Property Trust	Commercial	120,592,546	0.13
15. UDR Newport Beach North LP	Apartments	117,788,896	0.13
16. Balboa Bay Club, Inc.	Commercial	117,748,389	0.13
17. Coronado South Apartments LP	Apartments	114,618,841	0.12
18. JKS-CMFV LLC	Commercial	106,192,591	0.11
19. Newport Healthcare Center LLC	Commercial	100,965,382	0.11
20. South Coast Home Furnishing Center LLC	Industrial	<u>100,565,799</u>	<u>0.11</u>
		\$4,643,311,871	4.97%

(1) 2009-10 Local Secured Assessed Valuation: \$93,420,654,067