

**Coast Community College District
Financial Statements and
Supplementary Information
Year ended June 30, 2011
with Report of Independent Auditors
*Including Reports on Compliance***

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying basic financial statements of the Coast Community College District (the "District"), as of and for the year ended June 30, 2011 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 opinions.

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, 2011, and the results of its operations, changes in its net assets and its cash flows for the 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 a report dated November 30, 2011 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls 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 read in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of postemployment healthcare 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 basic 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplementary information listed in the table of contents and the continuing disclosure information are presented for purposes of additional analysis and are not required parts of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the standards identified by the *California Community Colleges Contracted District Audit Manual*, issued by the Chancellor's Office, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 statement and, accordingly, we do not express an opinion or provide any assurance on it.

Vargay + Company LLP

**Los Angeles, California
November 30, 2011**

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, 2011. 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 Community College, Golden West College, and Orange Coast College offer associate degrees, vocational certificates and transfer education, as well as developmental instruction and a broad array of specialized training. Specific activities in the colleges and the continuing education program are directed toward economic development within the community.

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

- The Statement of Net 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 with a strong fund balance. The ability to maintain a prudent reserve has continued to provide cash flow stability for the District without external borrowing. Health and welfare benefit costs continue to rise and are being monitored. Additional funds were set aside to fund the future retiree benefits liability. Over \$50 million has been set aside to meet the District's liability of approximately \$90 million.

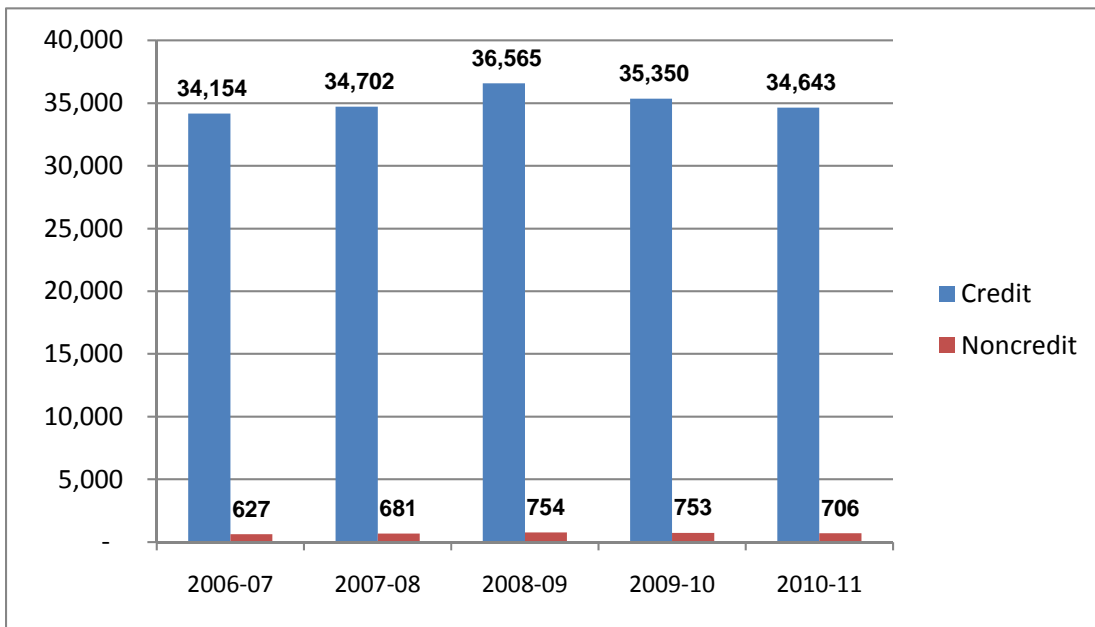
The District runs the Banner financial software which is integrated with the human resources and student systems. The District uses the position budgeting feature to build the budgets and allows on-line budget transfers for faster, more accurate processing. The student system provides daily updates to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

**Coast Community College District
Management's Discussion and Analysis
Year ended June 30, 2011**

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. Additional funds from interest and a refunding are also available. As of June 30, 2011, almost \$380 million have been spent with approximately \$30 million remaining. There are currently only 2 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 2010-11 by 2.09% from the prior year to reduce unfunded FTES (full-time equivalent students). However, over \$4 million in growth funds were provided by the state which also reduced the unfunded FTES to below 100.

Annual Enrollment
Full-Time Equivalent Students (FTES)



**Coast Community College District
Management's Discussion and Analysis
Year ended June 30, 2011**

Statement of Net Assets

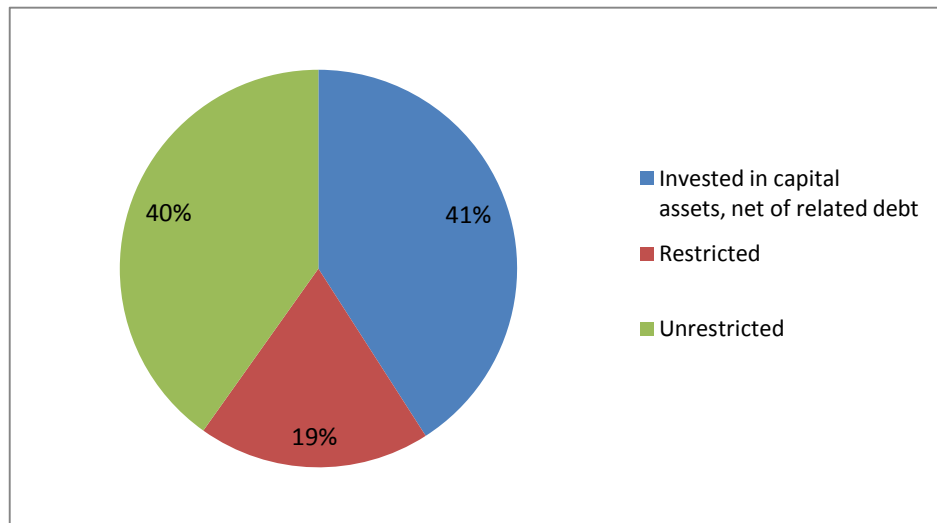
The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net assets – the difference between assets and liabilities – are one way to measure the financial health of the District.

	2011	2010	Change
	(In Thousands)		
ASSETS			
Current assets			
Cash and cash equivalents	\$ 87,371	\$ 114,254	-24%
Accounts receivable, net	25,333	26,535	-5%
Due from fiduciary funds	-	30	-100%
Due from component units	53	277	-81%
Notes receivable - current portion	500	-	100%
Inventories	51	98	-47%
Prepaid expenses	1,390	168	727%
Total current assets	114,698	141,362	-19%
Noncurrent assets			
Restricted cash and cash equivalents	16,611	18,029	-8%
Student loans receivable	3,136	3,293	-5%
Notes receivable - noncurrent portion	16,125	17,125	-6%
Issue costs, net of accumulated amortization	3,022	3,142	-4%
Other post-employment benefit asset	11,395	5,544	106%
Capital assets, net of accumulated depreciation	402,494	381,377	6%
Total noncurrent assets	452,783	428,510	6%
Total assets	567,481	569,872	0%
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued liabilities	20,773	21,864	-5%
Deferred revenue	6,229	6,303	-1%
Due to fiduciary funds	125	35	257%
Due to component units	86	639	-87%
Compensated absences	741	742	0%
General obligation bond payable - current portion	9,768	8,753	12%
Capital leases - current portion	141	134	5%
Total current liabilities	37,864	38,470	-2%
Noncurrent liabilities			
Compensated absences	2,570	3,207	-20%
Estimated liability for open claims and IBNR's	2,486	2,511	-1%
Capital leases	900	1,041	-14%
General obligation bond payable - noncurrent portion	373,814	363,526	3%
Total noncurrent liabilities	379,771	370,285	3%
Total liabilities	417,634	408,755	2%
Net assets			
Invested in capital assets, net of related debt	61,298	80,520	-24%
Restricted	28,367	26,577	7%
Unrestricted	60,182	54,020	11%
Total net assets	\$ 149,847	\$ 161,117	-7%

**Coast Community College District
Management's Discussion and Analysis
Year ended June 30, 2011**

- Cash and cash equivalents consists mainly of cash held in the county treasury (\$72 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, 2011, the building fund had a cash balance of \$35 million.
- During 2009/2010, the bookstore operations at Golden West College and Coastline Community College were contracted out to Follett. The remaining bookstore inventories were cleared out during the current year resulting in a reduced balance.
- The large increase in prepaid expenses was the result of 2 invoices for July medical insurance being erroneously paid one week early in June.
- 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. During 2010/11, the District deposited \$8 million into the irrevocable trust which was greater than the required contribution and therefore increased the asset.
- The drop in compensated absences is a result of staffing reductions requiring vacation payouts and better management of vacation balances.
- 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.

**Net Assets
June 30, 2011**



**Coast Community College District
Management's Discussion and Analysis
Year ended June 30, 2011**

Statement of Revenues, Expenses and Changes in Net Assets

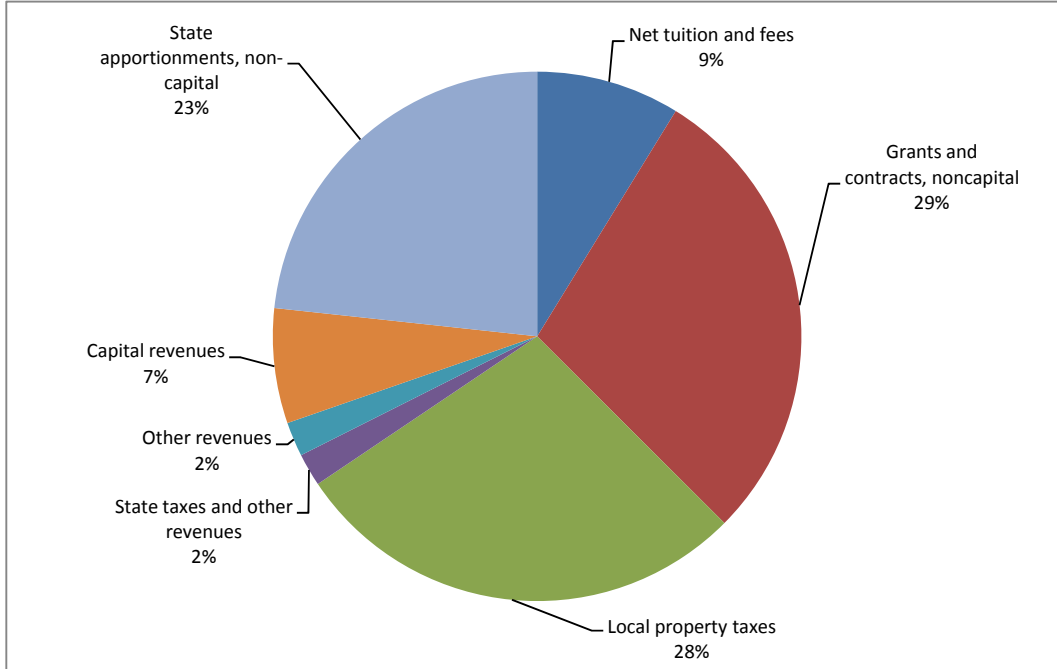
The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the District, as well as the non-operating revenues and expenses. State general apportionment, while budgeted for operations, is considered non-operating revenues by generally accepted accounting principles.

	<u>2011</u>	<u>2010</u>	<u>Change</u>
	(In Thousands)		
Operating revenues			
Net tuition and fees	\$ 27,076	\$ 27,358	-1%
Grants and contracts, noncapital	88,413	84,730	4%
Auxiliary sales and charges	4,932	5,089	-3%
Total operating revenues	<u>120,422</u>	<u>117,177</u>	3%
Operating expenses			
Salaries and benefits	180,683	198,856	-9%
Supplies, materials, and other operating expenses and services	42,141	34,435	22%
Financial aid	49,660	41,435	20%
Utilities	3,999	4,500	-11%
Depreciation	15,607	13,609	15%
Total operating expenses	<u>292,091</u>	<u>292,835</u>	0%
Operating income (loss)	<u>(171,669)</u>	<u>(175,658)</u>	
Nonoperating revenues (expenses)			
State apportionments, non-capital	71,810	66,396	8%
Local property taxes	86,655	88,188	-2%
State taxes and other revenues	6,171	5,524	12%
Investment income - non-capital	474	527	-10%
Interest expense on capital asset-related debt	(18,160)	(17,441)	4%
Other non-operating revenues	608	103	490%
Gain (loss) on disposal of capital assets	480	(114)	-521%
Total nonoperating revenues (expenses)	<u>148,039</u>	<u>143,183</u>	3%
Other revenues, expenses, gains or losses			
State appointments, capital	3,670	13,402	-73%
Local property taxes and revenues, capital	17,651	19,210	-8%
Investment income - capital	309	1,170	-74%
Total other revenues, expenses, gains or losses	<u>21,630</u>	<u>33,782</u>	-36%
Change in net assets	(2,000)	1,307	-253%
Net assets, beginning of year, as restated	<u>151,846</u>	<u>159,810</u>	-5%
Net assets, end of year	<u>\$ 149,847</u>	<u>\$ 161,117</u>	-7%

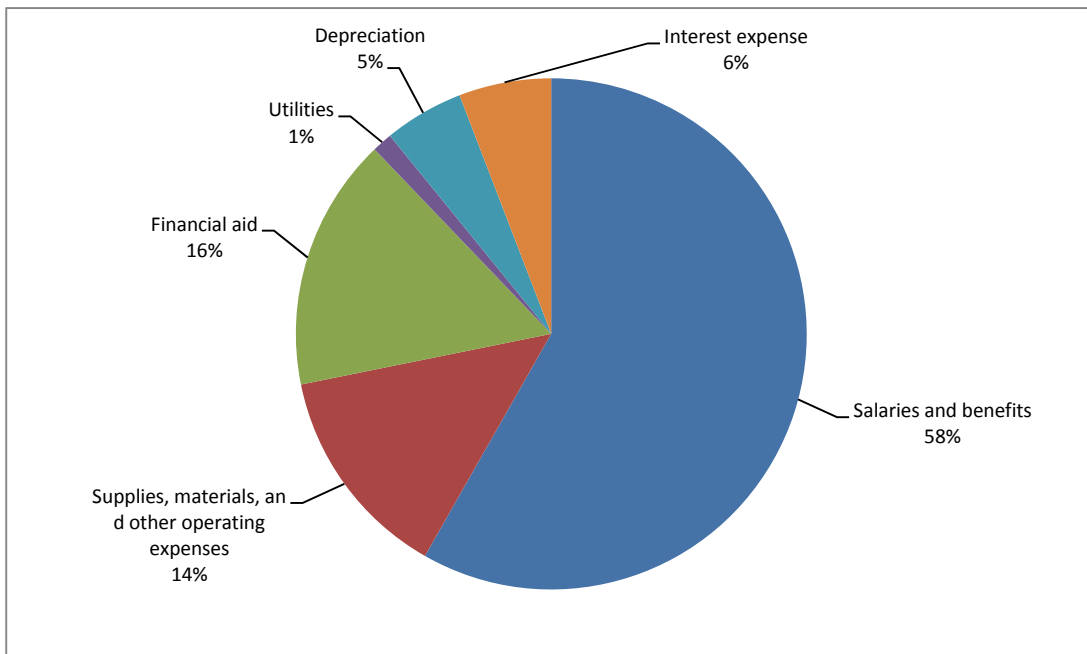
**Coast Community College District
Management's Discussion and Analysis
Year ended June 30, 2011**

- Net tuition and fees consists of enrollment fees (\$22.7 million), non-resident tuition (\$7.3 million), and other fees (\$7.5 million) less scholarships, discounts and allowances (\$10.5 million). Regular enrollment fees (\$36 per unit) are set by the State for all community colleges and increased \$10 per unit from the prior year. Although the fees increased, there were fewer FTES and more scholarships which resulted in slightly lower revenues.
- Revenue from grants and contracts is comprised of federal grants (\$54 million), state grants (\$11.6 million), and local contracts (\$22.8 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 reduction in salary and benefit expenses directly reflects the staffing reductions made in order to balance the 2010/11 budget.
- Depreciation expenses continue to increase as large construction projects are completed and buildings are equipped and placed into service.
- The District state apportionments increased (\$5.4 million) to partially fund restoration of prior year cuts as well as offset a reduction in local property taxes.
- 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 to community colleges 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 decreased as a state funded construction project at Orange Coast College was completed and final funding received.

Revenues
Year ended June 30, 2011



Expenses
Year ended June 30, 2011



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.

	2011	2010	Change
	(In Thousands)		
Cash provided by (used in)			
Operating activities	\$ (163,962)	\$ (160,334)	2%
Noncapital financing activities	165,446	158,926	4%
Capital and related financing activities	(31,067)	(36,989)	-16%
Investing activities	1,283	1,799	
Net decrease in cash and cash equivalents	(28,300)	(36,598)	-23%
Cash balance, beginning of year	132,282	168,880	-22%
Cash balance, end of year	\$ 103,982	\$ 132,282	-21%

- 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.

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, 2011, the District had over \$402 million invested in net capital assets. Total capital assets of \$603 million consist of land, buildings and building improvements, vehicles, data processing equipment and other office equipment; these assets have accumulated depreciation of \$200 million. New additions for construction and equipment of \$37 million occurred during 2010/2011, and depreciation expense of \$16 million was recorded for the fiscal year. In addition, \$82 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:

	Balance June 30, 2011
Land	\$ 24,141,969
Buildings and site improvements	501,402,907
Equipment	32,882,801
Construction in progress	44,457,423
Total at historical cost	<u>602,885,100</u>
Less accumulated depreciation for:	
Buildings and site improvements	(172,468,343)
Equipment	<u>(27,922,785)</u>
Total accumulated depreciation	<u>(200,391,128)</u>
Governmental capital assets, net	<u>\$ 402,493,972</u>

Debt

At June 30, 2011, the District had \$384 million in debt for the general obligation bonds. The payments for general obligation bond debt are funded through property tax assessments. Notes 9 and 10 to the financial statements provide 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 40% of its general fund revenue through State apportionments and 46% from local property taxes for the 2010/2011 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 Full Time Equivalent Students (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, it included inflated revenue projections and mid-year budget cuts are anticipated. Reserves have been set aside by the District to mitigate the effect of these cuts.

CCCD Budget

- The governor's 2011/2012 budget for community colleges contained 0% for cost of living adjustment and a 6.2% reduction in funding with a corresponding reduction in funded FTES. The budget was balanced with reduced staffing by encouraging separation and not filling vacancies. 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 \$870,000. A large number of vacant positions in 2010/2011 as well as reduced spending of discretionary funds allowed the District to maintain a reserve of 6.5% entering into 2011/2012.
- Salaries and benefits continue to comprise the largest portion of the District's expenses. In 2010/2011, 88.1% of the unrestricted funds were spent on salaries and benefits. The District offered incentives for employees to separate from the District. Twenty-five employees took advantage of the programs. Those positions along with 10 other vacancies were removed from the budget. The 2011/2012 budget also does not include any salary increases for staff.
- Health and welfare benefit costs continue to increase each year. The 2011/2012 budget includes an increase of \$350 per employee which represents a 2.4% increase from the 2010/2011 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 2011/2012 budget through significant staffing reductions that are having an impact on services to students. Although there are resources to cover the impending mid-year cuts, the State budget problems will likely continue for several years and remain a concern for the District.

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 kmccord@ccd.edu.

Coast Community College District
Statement of Net Assets
June 30, 2011

	Primary Government	Component Units
ASSETS		
Current assets		
Cash and cash equivalents	\$ 87,370,908	\$ 4,282,694
Investments	-	17,973,362
Accounts receivable, net	25,333,254	433,617
Due from component units	52,565	-
Notes receivable - current portion	500,000	-
Inventories	51,476	-
Prepaid expenses	1,389,767	92,802
Total current assets	114,697,970	22,782,475
Noncurrent assets		
Restricted cash and cash equivalents	16,611,399	-
Student loans receivable	3,135,678	-
Notes receivable - noncurrent portion	16,125,000	-
Issue costs, net of accumulated amortization	3,022,063	-
Other post-employment benefit asset	11,395,286	-
Capital assets, net of accumulated depreciation	402,493,972	3,297,285
Total noncurrent assets	452,783,398	3,297,285
Total assets	\$ 567,481,368	\$ 26,079,760
LIABILITIES		
Current liabilities		
Accounts payable	\$ 6,697,361	\$ 139,144
Accrued liabilities	14,076,010	46,308
Deferred revenue	6,229,224	472,455
Due to District	-	52,565
Due to fiduciary funds	125,000	-
Due to component units	85,800	-
Amounts held in trust for others	-	20,853
Compensated absences	741,457	-
General obligation bond payable - current portion	9,768,254	-
Capital leases - current portion	140,713	-
Total current liabilities	37,863,819	731,325
Noncurrent liabilities		
Compensated absences	2,569,851	-
Deferred tax liability	-	29,000
Estimated liability for open claims and IBNR's	2,486,361	-
Capital leases	900,054	-
General obligation bond payable - noncurrent portion	373,814,370	-
Total noncurrent liabilities	379,770,636	29,000
Total liabilities	417,634,455	760,325
NET ASSETS		
Invested in capital assets, net of related debt	61,298,130	-
Permanently restricted	-	5,096,043
Temporarily restricted	-	17,174,607
Restricted for:		
Programs	292,004	-
Scholarships and loans	3,692,393	-
Capital projects	8,373,202	-
Debt service	16,009,362	-
Unrestricted	60,181,822	1,840,570
Retained earnings	-	1,208,057
Total net assets	149,846,913	25,319,277
STOCKHOLDERS' EQUITY - COMMON STOCK	-	158
Total liabilities, net assets and stockholder's equity	\$ 567,481,368	\$ 26,079,760

See notes to financial statements.

Coast Community College District
Statement of Revenues, Expenses and Changes in Net Assets
Year ended June 30, 2011

	Primary Government	Component Units
Operating revenues		
Enrollment, tuition and fees - gross	\$ 37,602,259	\$ -
Less scholarship discounts and allowance	(10,525,886)	-
Net tuition and fees	27,076,373	-
Grants and contracts, non-capital:		
Federal	54,040,083	-
State	11,553,288	-
Local	22,819,734	8,815,080
Auxiliary enterprise sales and charges	4,932,138	5,984,186
Total operating revenues	120,421,616	14,799,266
Operating expenses		
Salaries	134,108,079	1,300,739
Employee benefits	46,575,026	336,890
Supplies, materials, and other operating expenses and services	42,140,675	9,740,304
Financial aid	49,660,186	-
Utilities	3,999,487	-
Depreciation	15,607,427	442,278
Total operating expenses	292,090,880	11,820,211
Operating income (loss)	(171,669,264)	2,979,055
Nonoperating revenues (expenses)		
State apportionments, non-capital	71,810,322	-
Local property taxes	86,655,089	-
State taxes and other revenues	6,171,482	-
Investment income - non-capital	474,277	-
Interest expense on capital asset-related debt	(18,160,337)	-
Other nonoperating revenues	608,034	-
Gain (loss) on disposal of capital assets	480,486	-
Net nonoperating revenues (expenses)	148,039,353	-
Income (loss) before other revenues, expenses, gains or losses	(23,629,911)	2,979,055
Other revenues, expenses, gains or losses		
State appointments, capital	3,670,300	-
Local property taxes and revenues, capital	17,650,997	-
Investment income - capital	309,043	-
Total other revenues, expenses, gains or losses	21,630,340	-
Change in net assets	(1,999,571)	2,979,055
Net assets, beginning of year, as restated	151,846,484	22,340,222
Net assets, end of year	\$ 149,846,913	\$ 25,319,277

See notes to financial statements.

Coast Community College District
Statement of Cash Flows
Year ended June 30, 2011

	Primary Government	Component Units
Cash flows from operating activities		
Tuition and fees (net)	\$ 26,826,767	\$ -
Federal grants and contracts	54,103,881	-
State grants and contracts	11,567,796	-
Local grants and contracts	24,060,196	-
Administrative fees and interest	-	495,770
Donations	-	3,263,513
Payments for income taxes	-	(337,947)
Payments to suppliers	(46,721,385)	(8,700,112)
Payments to/on-behalf of employees	(188,880,186)	-
Payments to/on-behalf of students	(49,817,314)	(762,932)
Auxiliary enterprise sales and charges	5,537,896	6,026,071
Auxiliary and component unit transfers	-	-
Amounts held in trust	(639,255)	-
Net cash used in operating activities	(163,961,603)	(15,637)
Cash flows from non-capital financing activities		
State apportionments and receipts	72,011,471	-
Property taxes	86,655,089	-
State tax and other revenues	6,779,516	-
Dividend paid	-	-
Net cash provided by non-capital financing activities	165,446,076	-
Cash flows from capital and related financing activities		
Capital grants and gifts received	3,670,300	-
Other local capital receipts	17,650,996	-
Purchases of capital assets	(36,593,456)	(21,369)
Proceeds from sale of capital assets	480,486	-
Principal paid on capital debt	(8,084,431)	-
Interest paid on capital debt	(8,191,190)	-
Net cash used in capital and related financing activities	(31,067,295)	(21,369)
Cash flows from investing activities		
Interest and dividends on investments	783,320	250,000
Net sales of investments	-	8,992,378
Purchase of investments	-	(8,650,601)
Collection of long-term notes receivables	500,000	-
Transfers of investment to Foundation of California Community Colleges	-	(100,000)
Net cash provided by investing activities	1,283,320	491,777
Net change in cash and cash equivalents	(28,299,502)	454,771
Cash and cash equivalents - beginning of year	132,281,809	3,827,923
Cash and cash equivalents - end of year	\$ 103,982,307	\$ 4,282,694
Details of cash and cash equivalents in the statement of net assets:		
Cash and cash equivalents	\$ 87,370,908	
Restricted cash and cash equivalents	16,611,399	
Total cash and cash equivalents	\$ 103,982,307	

See notes to financial statements.

**Coast Community College District
Statement of Cash Flows (Continued)
Year ended June 30, 2011**

	Primary Government	Component Units
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	\$ (171,669,264)	\$ 2,979,055
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Net non-cash contributions	-	(585,707)
Realized and unrealized gain on investments, net	-	(2,560,947)
Change in value of split-interest agreement	-	(8,320)
Depreciation expense	15,607,427	442,278
Changes in assets and liabilities:		
Receivables, net	1,003,997	(102,024)
Investments	-	(448)
Inventory	46,270	-
Prepaid expenses	(1,221,357)	(51,315)
Student loans receivable	157,128	-
Other post-employment benefit asset	(5,850,926)	-
Due from fiduciary funds	30,289	-
Due from component units	224,239	-
Accounts payable	(6,655,697)	20,342
Accrued liability	5,565,302	46,308
Compensated absences	(636,823)	-
Deferred revenue	(73,547)	31,780
Deferred tax liability	-	(2,400)
Due to District	-	(224,239)
Amounts held in trust for others	(639,255)	-
Due to/from fiduciary funds	89,887	-
Due to/from component units	85,800	-
Estimated liability for open claims and IBNR's	(25,073)	-
Net cash used in operating activities	\$ (163,961,603)	\$ (15,637)

See notes to financial statements.

**Coast Community College District
Statement of Fiduciary Net Assets
June 30, 2011**

	Orange Coast College Ancillary	Associated Student Body Funds
ASSETS		
Cash on hand and in banks	\$ 1,995,805	\$ 7,187,102
Accounts receivable:		
Miscellaneous	-	108,451
Prepaid expense	-	29,931
Due from governmental funds	20,000	105,000
Total assets	\$ 2,015,805	\$ 7,430,484
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 81,712	\$ 106,619
Funds held in trust	1,934,093	1,296,815
Total liabilities	2,015,805	1,403,434
Net assets		
Unrestricted	-	6,027,050
Total net assets	-	6,027,050
Total liabilities and net assets	\$ 2,015,805	\$ 7,430,484

See notes to financial statements.

**Coast Community College District
Statement of Changes in Fiduciary Net Assets
Year ended June 30, 2011**

		<u>Associated Student Body Funds</u>
Additions		
Sales	\$	3,065,812
Interest and investment income		6,264
Student representation fee		910,214
Other local revenues		301,212
Total additions		<u>4,283,502</u>
Deductions		
Classified salaries		546,688
Employee benefits		186,076
Supplies and materials		914,164
Services and other operating expenses		1,965,744
Capital outlay		637,655
Total deductions		<u>4,250,327</u>
Change in net assets		33,175
Net assets, beginning of year		5,993,875
Net assets, end of year	\$	<u><u>6,027,050</u></u>

See notes to financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Standards Board (GASB) Statement No. 14 (as amended by GASB Statement Nos. 39 and 61). 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 Statements, 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 of 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Colleges 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

In accordance with GASB Statement No. 20, the District follows all GASB statements issued prior to November 30, 1989 until subsequently amended, superseded 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.

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.

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 grants 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.

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.

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2011, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Issue Costs

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

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. Provision for depreciation is computed using the straight-line method 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.

Accounts Payable

Accounts payable consists of amounts due to vendors.

Accrued Liabilities

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

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, therefore, have not been accrued in the basic financial statements.

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 \$1.3 million for State Teachers' Retirement System (STRS).

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2011, \$21,428,949 of the District's bank balance of \$21,963,267 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	\$ 21,428,949
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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 value of the District's deposits in this pool as of June 30, 2011, as provided by the pool sponsor, was \$88,499,009.

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.

Coast Community College District
Notes to Financial Statements
Year ended June 30, 2011

NOTE 3 ACCOUNTS RECEIVABLE

The accounts receivable balance as of June 30, 2011 consists of the following:

Federal and state	\$	21,867,363
Miscellaneous		3,465,891
Student loans		3,135,678
Total	\$	<u>28,468,932</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 are to be made to the District over the next 26 years. The District is receiving quarterly payments of \$125,000. The balance of the notes receivable as of June 30, 2011 is \$16,625,000.

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 governmental funds has been eliminated in the basic financial statements.

NOTE 6 CAPITAL ASSETS

The following provides a summary of changes in capital assets for the year ended June 30, 2011:

	Balance July 1, 2010	Adjustments	Additions	Reductions	Balance June 30, 2011
Capital assets not being depreciated					
Land	\$ 24,141,969	\$ -	\$ -	\$ -	\$ 24,141,969
Work-in-progress	<u>92,521,232</u>	<u>-</u>	<u>33,743,443</u>	<u>(81,807,252)</u>	<u>44,457,423</u>
Total capital assets not being depreciated	<u>116,663,201</u>	<u>-</u>	<u>33,743,443</u>	<u>(81,807,252)</u>	<u>68,599,392</u>
Capital assets being depreciated:					
Buildings and improvements	419,465,041	411,473	81,526,393	-	501,402,907
Equipment	<u>32,563,268</u>	<u>-</u>	<u>2,850,013</u>	<u>(2,530,480)</u>	<u>32,882,801</u>
Total capital assets being depreciated	<u>452,028,309</u>	<u>411,473</u>	<u>84,376,406</u>	<u>(2,530,480)</u>	<u>534,285,708</u>
Less accumulated depreciation for:					
Buildings and improvements	(158,366,173)	(130,614)	(13,971,556)	-	(172,468,343)
Equipment	<u>(28,948,008)</u>	<u>-</u>	<u>(1,505,257)</u>	<u>2,530,480</u>	<u>(27,922,785)</u>
Total accumulated depreciation	<u>(187,314,181)</u>	<u>(130,614)</u>	<u>(15,476,813)</u>	<u>2,530,480</u>	<u>(200,391,128)</u>
Governmental capital assets, net	<u>\$ 381,377,329</u>	<u>\$ 280,859</u>	<u>\$ 102,643,036</u>	<u>\$ (81,807,252)</u>	<u>\$ 402,493,972</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:

Year ending June 30,	Principal	Interest	Total
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	168,919	18,271	187,190
2017-2018	268,295	12,490	280,785
Total	<u>\$ 1,040,767</u>	<u>\$ 175,968</u>	<u>\$ 1,216,735</u>

Current year expenditure for this lease is approximately \$130,000. The District will receive no sublease rental revenues nor pay any contingent rentals for this agreement.

NOTE 8 OPERATING LEASES

Operating Leases

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

Year ending June 30,	Lease Payment
2012	\$ 723,422
2013	556,791
2014	407,169
2015	<u>299,159</u>
Total	<u>\$ 1,986,541</u>

Current year expenditures for operating leases were approximately \$750,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

NOTE 8 LEASES (CONTINUED)

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:

Year ending June 30,	Lease Payment
2012	\$ 480,000
2013	480,000
2014	480,000
2015	480,000
2016	480,000
2017-2019	2,400,000
2020-2026	2,400,000
2027-2031	2,400,000
2032	440,000
Total	\$ 10,040,000

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 are to 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, 2011 is:

	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding 7/1/2010	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2011
Series A	4/17/2003	2.50 - 5.50	8/1/2016	\$ 110,000,000	\$ 15,025,000	\$ -	\$ 3,105,000	\$ 11,920,000
Refunding	3/10/2005	3.00 - 5.25	8/1/2022	74,893,867	61,548,867	-	2,995,000	58,553,867
Series B	6/28/2006	3.63 - 5.00	8/1/2030	149,859,831	148,004,831	-	1,850,000	146,154,831
Series C	6/28/2006	3.63 - 5.00	8/1/2036	110,140,169	110,140,169	-	-	110,140,169
				\$ 444,893,867	\$ 334,718,867	\$ -	\$ 7,950,000	326,768,867
							Deferred charge on refunding	(1,645,736)
							Premium	10,550,530
							Accreted interest	47,908,963
							Total	\$ 383,582,624

NOTE 9 GENERAL OBLIGATION BONDS (CONTINUED)

Series A

The annual payments for Series A, outstanding as of June 30, 2011 are as follows:

Year ending June 30,	Principal	Interest	Total
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	635,000	45,625	680,625
2017	595,000	14,875	609,875
Total	<u>\$ 11,920,000</u>	<u>\$ 1,141,463</u>	<u>\$ 13,061,463</u>

Premiums received 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 2010-11 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 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, 2011 is as follows:

Year ending June 30,	Principal	Interest	Total
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	5,880,000	1,739,600	7,619,600
2017-2021	32,130,933	5,990,692	38,121,625
2022-2023	2,192,934	13,357,066	15,550,000
Total	<u>\$ 58,553,867</u>	<u>\$ 30,597,296</u>	<u>\$ 89,151,163</u>

Premiums received 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 2010-11 year.

NOTE 9 GENERAL OBLIGATION BONDS (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 of \$2,801,019 as of June 30, 2011 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 2010-11 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.

The required annual payments for Series B and C outstanding as of June 30, 2011 are as follows:

Series B

Year ending June 30,	Principal	Accreted Interest Component	Current Interest Component	Total
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	1,660,000	-	4,397,288	6,057,288
2017-2021	27,175,000	-	19,080,806	46,255,806
2022-2026	69,832,577	15,297,423	6,952,875	92,082,875
2027-2031	39,142,254	77,552,746	-	116,695,000
Total	<u>\$ 146,154,831</u>	<u>\$ 92,850,169</u>	<u>\$ 48,894,153</u>	<u>\$ 287,899,153</u>

Premiums received 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 2010-11 year.

NOTE 9 GENERAL OBLIGATION BONDS (CONTINUED)

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 accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest of \$13,691,553 as of June 30, 2011 has been reflected as long-term debt.

Series C

Year ending June 30,	Principal	Accreted Interest Component	Current Interest Component	Total
2012	\$ -	\$ -	\$ -	\$ -
2013	-	-	-	-
2014	-	-	2,830,500	2,830,500
2015	-	-	5,661,000	5,661,000
2016	-	-	5,661,000	5,661,000
2017-2021	-	-	28,305,000	28,305,000
2022-2026	-	-	28,305,000	28,305,000
2027-2031	46,491,648	8,968,994	26,012,625	81,473,267
2032-2036	60,766,047	121,698,312	4,874,875	187,339,233
2037	2,882,474	11,822,526	-	14,705,000
Total	<u>\$ 110,140,169</u>	<u>\$ 142,489,831</u>	<u>\$ 101,650,000</u>	<u>\$ 354,280,000</u>

Premiums received 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 2010-11 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 accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest of \$31,416,217 as of June 30, 2011 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 2010-11 year.

NOTE 10 LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2011 is shown below:

	Balance July 1, 2010	Adjustment	Additions	Reductions	Balance June 30, 2011	Amounts Due within one year
General obligation bonds:						
Bonds payable	\$ 334,718,867	\$ -	\$ -	\$ 7,950,000	\$ 326,768,867	\$ 8,965,000
Premium	11,353,784	-	-	803,254	10,550,530	803,254
Accreted interest	28,000,946	9,270,501	10,637,516	-	47,908,963	-
Deferred liability	(1,794,224)	-	-	(148,488)	(1,645,736)	-
Capital leases	1,175,198	-	-	134,431	1,040,767	140,713
Compensated absences	3,948,131	-	-	636,823	3,311,308	741,457
Total long-term liabilities	<u>\$ 377,402,702</u>	<u>\$ 9,270,501</u>	<u>\$ 10,637,516</u>	<u>\$ 9,376,020</u>	<u>\$ 387,934,699</u>	<u>\$ 10,650,424</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.

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 2010-11 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

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 2010-11 was 9.709% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Contributions to STRS and PERS

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

Year ended June 30,	STRS		PERS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2009	\$ 6,049,809	100%	\$ 5,802,777	100%
2010	5,830,477	100%	6,038,825	100%
2011	5,396,941	100%	6,289,443	100%

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

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 \$739,055 during the fiscal year. The total amount of covered compensation was \$9,854,062. Total contributions made are 100% of the amount of contributions required for fiscal year 2010-11.

NOTE 12 POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

The District administers a single-employer defined benefit healthcare plan. The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. 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 actuarially 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 2011, the District contributed \$6,120,645 to the plan for current year premiums, and \$8,000,000 to the Trust.

NOTE 12 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (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:

Annual required contribution (ARC)	\$	8,243,138
Interest on net OPEB obligation (asset)		(388,105)
Adjustment to annual required contribution		<u>414,687</u>
Annual OPEB cost		8,269,719
Contributions made to the Trust		(8,000,000)
Contributions made - pay-as-you-go cost		<u>(6,120,645)</u>
Change in net OPEB obligation (asset)		(5,850,926)
Net OPEB obligation (asset) - beginning of year		<u>(5,544,360)</u>
Net OPEB obligation (asset) - end of year	\$	<u><u>(11,395,286)</u></u>

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

Fiscal year end	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/2009	\$ 6,820,771	79.54%	\$ 7,879,969
6/30/2010	8,283,152	71.81%	5,544,360
6/30/2011	8,269,719	170.75%	11,395,286

Funded 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 administered by the Retiree Health Benefit Program Joint Powers Agreement (JPA) organized by the Community College League of California. The District made an \$8 million irrevocable contribution to the trust in fiscal year 2010-11.

NOTE 12 POSTEMPLOYMENT HEALTHCARE BENEFITS (BENEFITS)

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 postemployment healthcare benefits funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

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 healthcare 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, 2011, was sixteen 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 the amount calculated by SELF'S board of directors and shares surpluses and deficits proportionately to its participation in SELF.

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 composed 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 composed 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 based on the most current information available is as follows:

	PIPS 6/30/2010 <u>(Audited)</u>	SELF 6/30/2010 <u>(Audited)</u>	SEWUP 6/30/2009 <u>(Audited)</u>	SWACC 6/30/2010 <u>(Audited)</u>
Total assets	\$ 117,734,937	\$ 196,974,000	\$ 27,044,299	\$ 46,019,292
Total liabilities	<u>69,742,511</u>	<u>160,464,000</u>	<u>14,643,916</u>	<u>21,417,925</u>
Retained earnings	<u>\$ 47,992,426</u>	<u>\$ 36,510,000</u>	<u>12,400,383</u>	<u>24,601,367</u>
Total revenues	\$ 5,305,101	\$ 19,384,000	\$ 9,375,700	\$ 11,118,079
Total expenditures	<u>596,363</u>	<u>30,536,000</u>	<u>7,862,074</u>	<u>12,547,315</u>
Net increase/(decrease) in retained earnings	<u>\$ 4,708,738</u>	<u>\$ (11,152,000)</u>	<u>\$ 1,513,626</u>	<u>\$ (1,429,236)</u>

Coast Community College District
Notes to Financial Statements
Year ended June 30, 2011

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 a maximum of \$250,000 for each workers' compensation claim filed prior to June 30, 1998. Beginning July 1, 1998, the District is fully insured for workers' compensation. The Self Insurance Fund also provides for a maximum of \$275,000 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, 2011, 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 the accrued claims liability is estimated at \$2,486,361. Changes in the reported liability are shown below:

Internal Service Fund Fiscal year end	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year liability
Health and Benefits	\$ 1,979,051	\$ 18,467,971	\$ 18,493,044	\$ 1,953,978
Workers' Compensation	532,383	-	-	532,383
	<u>\$ 2,511,434</u>	<u>\$ 18,467,971</u>	<u>\$ 18,493,044</u>	<u>\$ 2,486,361</u>

NOTE 15 FUNCTIONAL EXPENSE

	Salaries	Employee Benefits	Supplies, Materials, Utilities, Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 57,706,937	\$ 20,431,810	\$ 4,438,664	-	-	\$ 82,577,410
Academic support	17,126,129	6,063,704	3,721,320	-	-	26,911,153
Student services	15,788,807	5,590,210	1,867,603	-	-	23,246,620
Operation and maintenance of plant	6,088,440	2,155,683	6,518,359	-	-	14,762,481
Institutional support services	18,952,266	6,710,270	14,052,022	-	-	39,714,558
Community services and economic development	297,528	105,343	-	-	-	402,871
Ancillary services and auxiliary operations	17,439,088	5,289,156	14,711,797	-	-	37,440,040
Student aid	-	-	-	49,660,186	-	49,660,186
Other outgo	708,883	228,851	830,399	-	-	1,768,133
Depreciation expense	-	-	-	-	15,607,427	15,607,427
Total	<u>\$ 134,108,079</u>	<u>\$ 46,575,026</u>	<u>\$ 46,140,162</u>	<u>\$ 49,660,186</u>	<u>\$ 15,607,427</u>	<u>\$ 292,090,880</u>

NOTE 16 COMMITMENTS AND CONTINGENCIES

Litigation

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

Purchase Commitments

As of June 30, 2011, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$36 million. Projects will be funded through bond proceeds, State funds and general funds.

NOTE 17 RESTATEMENT OF BEGINNING NET ASSETS

The beginning net assets of the District have been restated to adjust the balance of capital appreciation bonds as of June 30, 2010 as follows.

Net assets at June 30, 2010, as previously reported	\$ 161,116,985
Adjustment to correct the accreted value of capital appreciation bonds as of June 30, 2010	<u>(9,270,501)</u>
Net assets at June 30, 2010, as restated	<u>\$ 151,846,484</u>

The beginning net assets of Coast CCD Foundation, one of the District's component units, have been restated to correct the carrying value of Coast CCD Foundation's equity investment in Coast CCD Enterprise Corporation as of June 30, 2010.

Net assets of component units at June 30, 2010, as previously reported	\$ 22,706,445
Adjustment to correct the carrying value of Coast CCD Foundation's investment in Coast CCD Enterprise Coporation	<u>(366,223)</u>
Net assets of component units at June 30, 2010, as restated	<u>\$ 22,340,222</u>

NOTE 18 SUBSEQUENT EVENTS

The District has evaluated events subsequent to June 30, 2011 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 30, 2011, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Coast Community College District
Schedule of Postemployment Healthcare Benefits Funding Progress
Year ended June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Entry age normal method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
5/1/2008	\$ 27,621,836	\$ 80,045,719	\$ 52,423,883	34.50%	\$ 103,916,507	50.45%
5/1/2010	29,483,684	90,506,727	61,023,043	32.50%	107,075,771	57.00%

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

The next actuarial valuation will be done in the fiscal year 2011-2012. As of June 30, 2011, total assets held in the Trust account amounted to \$41.947 million.

NOTE 1 PURPOSE OF SCHEDULE:

Schedule of Postemployment Healthcare Benefits Funding Progress

This schedule is prepared to show information from the most recent actuarial valuations 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

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. Jerry Patterson	President	2012
Mr. Jim Moreno	Vice President	2014
Ms. Mary L. Hornbuckle	Trustee	2012
Dr. Lorraine Prinsky	Clerk of the Board	2012
Mr. David A. Grant	Trustee	2014
Mr. Joe Venegas III	Student	2011

DISTRICT EXECUTIVE OFFICERS

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

**Coast Community College District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal Catalog Number	Award or Pass-through Identification Number	Total Program Expenditures
U.S. Department of Education:			
Direct programs:			
Student financial assistance :			
Administrative allowance	84.063	N/A	\$ 118,198
Academic Competitiveness Grant	84.375	N/A	74,044
Direct Student Loans	84.268	N/A	7,805,486
Federal Work Study Program	84.033	N/A	509,958
Federal Pell Grant Program	84.063	N/A	35,910,475
Federal Supplement Educational Opportunity Grants (FSEOG)	84.007	N/A	487,986
Subtotal Student Financial Aid Cluster			<u>44,906,147</u>
North American Renewable Energy Technology	84.116N	N/A	48,041
Strengthening Institutions-Title III	84.031A	N/A	402,870
Passed through California Department of Education			
Vocational and Applied Technology Education Act, Tech Prep Consortia Project	84.048	23335	209,123
Vocational and Applied Technology Education Act, Tech Prep Regional Coordinations	84.048	13929	-
Vocational and Applied Technology Education Act, Title I, Part C	84.048	23381	1,299,830
Vocational and Applied Technology Education Act, BIC-Business/CIS Education Advisory	84.048	23373	299,988
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	37,991
Vocational and Applied Technology Education Act, Collaborative Learning	84.048	23373	100,000
English Literacy and Civic Education	84.002A	(1)	28,823
ESL - 231 Grant	84.002A	(1)	69,430
Passed-through California Community College's Chancellors Office:			
American Recovery and Reinvestment Act State Fiscal Stabilization Funds	84.394	N/A	80,924
Subtotal pass-through programs			<u>2,226,109</u>
Total U.S. Department of Education			<u>47,583,167</u>
Pacific Bridge AAPI	(1)	(1)	109,062
U.S. Department of Justice :			
Virtual Interactive Training Simulator Project	16.738	2010-DD-BX-0416	725,482
Virtual Training for Law Enforcement	16.738	(1)	99,867
Total U.S. Department of Justice			<u>825,349</u>
U.S. Department of Agriculture :			
Passed-through California Department of Education:			
Child Care Food Programs	10.558	(1)	55,348
Total U.S. Department of Agriculture			<u>55,348</u>
U.S. Department of Health and Human Services:			
Passed-through California Community College's Chancellors Office:			
Temporary Assistance for Needy Families (TANF)	93.558	N/A	121,140
Passed-through California Department of Education:			
Child Development Federal Block Grant	93.596	13609, 13941, 13942, 14130	217,546
Passed-through Yosemite Community College District:			
Child Development Consortium	93.575	(1)	26,887
Total U.S. Department of Health and Human Services			<u>365,573</u>

See accompanying notes to the supplementary information.

**Coast Community College District
Schedule of Expenditures of Federal Awards (Continued)
Year ended June 30, 2011**

	Federal Catalog Number	Award or Pass-through Identification Number	Total Program Expenditures
U.S. Department of Labor:			
Passed through County of Orange Housing and Community Services Department			
Workforce Investment Act Cluster:			
WIA - Veteran Employment Assistance	17.258	R865476	\$ 106,107
Workforce Investment Act, Disadvantaged Adult Title II	17.258	R865476	1,261,180
Workforce Investment Act, Dislocated Worker Title III	17.260	R865476	2,221,617
Workforce Investment Act, ARRA Dislocated Worker	17.260	(1)	257,982
Workforce Investment Act, National Emergency Mortgage Grant	17.260	R865476	43,661
Workforce Investment Act, Orange County Support Services, Rapid Response	17.260	R865476	58,833
Workforce Investment Act, 25% Regional Veteran Services	17.260	R865476	16,002
Workforce Investment Act, 15% Regional Veteran Services	17.258	R865476	18,084
Workforce Investment Act, Allied Health Workforce	17.258	R865476	88,259
Workforce Investment Act, ARRA High Demand Training Services	17.260	(1)	134,873
Workforce Investment Act, New Start Prison to Employment	17.258	R865476	3,252
Subtotal Workforce Investment Act Cluster			<u>4,209,850</u>
WIA - ITA Training Provider	17.261	(1)	2,298
Workforce Investment Act, Technology Based Training	17.269	(1)	144,260
Workforce Investment Act, Nursing Expansion	17.207	(1)	434,502
Workforce Investment Act, Navigator Grant	17.261	R865476	100,602
Workforce Investment Act, Senior Community Service Employment	17.235	R865476	123,771
WIA - SCSEP Appropriation	17.235	R865476	54,096
WIA - DPN WPA Assistive Technology	17.261	(1)	10,360
Total U.S. Department of Labor			<u>5,079,739</u>
National Science Foundation			
Direct			
C-Spirit Curriculum Development	47.076	N/A	21,845
Total Federal Program Expenditures			<u>\$ 54,040,083</u>
Student Financial Aid Student Loan Program			
Perkins Program:			
Coast Community College District outstanding loan balance as of June 30, 2011			\$ 3,124,795
Loans disbursed to students during the fiscal year 2010-2011			<u>\$ 281,275</u>

Note: (1) - CFDA number and award or pass-through identification number not readily available.
N/A - Pass-through entity identification number not applicable.

See accompanying notes to the supplementary information.

**Coast Community College District
Schedule of State Financial Assistance - Grants
Year ended June 30, 2011**

Program Name	Program Revenues				Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Revenue	Total	
State Categorial Aid Programs:					
AS Registered Nurse Enrollment Growth Retention	\$ 41,821	\$ 7,966	\$ -	\$ 49,787	\$ 49,787
At Risk Children's Boating Scholarships	24,745	1,575	5,733	20,587	20,587
Basic Skills 08/09	332,020	-	-	332,020	332,020
Basic Skills 09/10	286,873	-	249,039	37,834	37,834
Basic Skills 10/11	487,538	-	487,538	-	-
Board Financial Assistance Administrative Allowance	1,419,874	-	205,865	1,214,009	1,214,009
CalWORKS	390,622	-	-	390,622	390,622
Career Technology Education Community Collaborative	226,288	-	-	226,288	226,288
Career Technology Education Pathways Initiative	400,000	10,934	397,307	13,627	13,627
Child Development Apportionment	2,638	-	-	2,638	2,638
Child Development Preschool Program	157,159	-	-	157,159	157,159
Disabled Student Program Services (DSPS)	1,718,131	-	-	1,718,131	1,718,131
Economic Opportunity (EOPS)	1,893,475	-	-	1,893,475	1,893,475
EOPS-Coop Agency Resource Education	148,924	-	-	148,924	148,924
Evaluation Grant/State Career Tech Education	928,684	-	-	928,684	928,684
Hazard Mitigation	-	27,000	-	27,000	27,000
Instructional Equipment / Library Materials	73,492	-	-	73,492	73,492
Instructional Equipment / Library Materials one-time	137,239	-	137,239	-	-
Lottery-Restricted Materials	1,102,717	-	472,601	630,116	630,116
Matriculation	1,216,589	-	-	1,216,589	1,216,589
Matriculation-Non Credit	57,068	-	-	57,068	57,068
Mental Health Training CA Law Enforcement	24,334	66,926	-	91,260	91,260
RHRC Health Care Development	123,000	81,996	-	204,996	204,996
Staff Development	15,869	-	15,827	42	42
Staff Diversity	23,012	-	9,160	13,852	13,852
State Capital Outlay	3,670,300	-	-	3,670,300	3,670,300
State Hospital Program (Fairview)	632,817	-	-	632,817	632,817
STEM Career Technology Education Community Collaborative	310,000	-	187,833	122,167	122,167
Telecommunications and Technology Infrastructure Program	35,821	-	35,088	733	733
WIA ARRA EMT	124,825	55,032	-	179,857	179,857
Workforce Innovative Partnership	150,000	-	85,731	64,269	64,269
Total State Programs	\$ 16,155,875	\$ 251,429	\$ 2,288,961	\$ 14,118,343	\$ 14,118,343

See accompanying notes to the supplementary information.

**Coast Community College District
Schedule of Workload Measures for State General Apportionment
Annual (Actual) Attendance
Year ended June 30, 2011**

	Factored FTES Reported Data
A. Summer Intersession (Summer 2010 only)	
1. Noncredit (1)	7.37
2. Credit	1,619.11
B. Summer Intersession (Summer 2011 - Prior to July 1, 2011)	
1. Noncredit	-
2. Credit	-
C. Primary Terms (Exclusive of Summer Intersession)	
1. Census Procedures Courses	
(a) Weekly Census Contact Hours	24,691.57
(b) Daily Census Contact Hours	1,471.20
2. Actual Hours of Attendance Procedure Courses	
(a) Noncredit	351.04
(b) Credit	1,399.86
3. Independent Study/Work Experience	
(a) Weekly Census Contact Hours	4,152.66
(b) Daily Census Contact Hours	1,656.53
(c) Noncredit Independent Study/Distance Education Courses	-
D. Total FTES	35,349.34
Supplemental Information (subset of above information)	
E. In-Service Training Courses (FTES)	16.94
H. Basic Skills Courses and Immigrant Education	
(a) non-credit	347.34
(b) Credit	3,241.09
<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 accompanying notes to the supplementary information.

**Coast Community College District
 Reconciliation of Annual Financial and Budget Report
 With Audited Fund Balances
 June 30, 2011**

		<u>Self-Insurance Fund</u>
June 30, 2011 Annual Financial and Budget Report Fund Balance (CCFS-311)	\$	56,370,851
Adjustments and Reclassifications:		
Understatement of incurred but not reported claims liability		(2,486,361)
Removal of other postemployment benefits trust fund for financial statement presentation		<u>(41,947,273)</u>
June 30, 2011 Audited Financial Statement Fund Balances	\$	<u><u>11,937,217</u></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 accompanying notes to the supplementary information.

Coast Community College District
Schedule of Combined General Fund Financial Trends and Analysis
June 30, 2011

	(Budget 2012)		2011		2010		2009	
	Amount	%	Amount	%	Amount	%	Amount	%
General Fund:								
Revenue and Other Financing Sources								
Federal	\$ 8,701,493	4.17%	\$ 9,488,549	4.59%	\$ 10,745,253	5.04%	\$ 8,359,093	3.78%
State	74,135,188	35.49%	87,639,933	42.41%	82,816,481	38.81%	95,160,680	42.99%
County, Local, and Other Sources	122,044,304	58.42%	116,581,085	56.42%	118,500,506	55.53%	115,815,851	52.32%
Other Financial Sources	500,000	0.24%	512,511	0.25%	-	-	-	-
Total Revenue and Other Financing Sources	<u>205,380,985</u>	<u>98.32%</u>	<u>214,222,078</u>	<u>103.67%</u>	<u>212,062,240</u>	<u>99.38%</u>	<u>219,335,624</u>	<u>99.09%</u>
Expenditures and other Financing Uses								
Academic Salaries	72,343,790	34.63%	74,796,109	36.20%	80,805,960	37.87%	83,247,032	37.61%
Classified Salaries	49,843,414	23.86%	51,725,911	25.03%	55,435,203	25.98%	56,482,752	25.52%
Employee Benefits	49,260,659	23.58%	50,048,423	24.22%	49,033,184	22.98%	48,164,864	21.76%
Supplies and Materials	4,887,297	2.34%	3,623,844	1.75%	3,452,596	1.62%	4,289,371	1.94%
Other Operating Expenses and Services	24,983,002	11.96%	18,567,719	8.99%	19,621,859	9.20%	22,723,876	10.27%
Capital Outlay	3,325,096	1.59%	2,856,037	1.38%	2,072,905	0.97%	2,163,104	0.98%
Other Uses	973,140	0.47%	1,133,525	0.55%	1,449,613	0.68%	2,344,907	1.06%
Interfund Transfers Out	3,284,376	1.57%	3,879,582	1.88%	1,513,449	0.71%	1,944,010	0.88%
Total Expenditures and Other Financing Uses	<u>208,900,774</u>	<u>100%</u>	<u>206,631,150</u>	<u>100.00%</u>	<u>213,384,769</u>	<u>100.00%</u>	<u>221,359,916</u>	<u>100.00%</u>
Change in Fund Balances	<u>(3,519,789)</u>	<u>-1.68%</u>	<u>7,590,928</u>	<u>3.67%</u>	<u>(1,322,529)</u>	<u>-0.62%</u>	<u>(2,024,292)</u>	<u>-0.91%</u>
Ending Fund Balance	<u>23,769,401</u>	<u>11.38%</u>	<u>27,289,190</u>	<u>13.21%</u>	<u>19,698,262</u>	<u>9.23%</u>	<u>21,020,791</u>	<u>9.50%</u>
Available Reserve Balance	<u>13,500,000</u>	<u>6.46%</u>	<u>13,500,000</u>	<u>6.53%</u>	<u>13,293,671</u>	<u>6.23%</u>	<u>16,750,000</u>	<u>7.57%</u>
Full-time Equivalent Students	<u>33,200</u>		<u>35,349</u>		<u>36,103</u>		<u>37,319</u>	
Total Long-Term Debt	<u>\$ 388,803,962</u>		<u>\$ 387,934,699</u>		<u>\$ 377,402,702</u>		<u>\$ 372,007,529</u>	

See accompanying notes to the supplementary information.

Coast Community College District
Schedule of Budgetary Comparison for the Combined General Fund
June 30, 2011

REVENUE	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue from Federal Sources			
Higher Education Act	\$ 1,755,679	\$ 1,188,128	\$ (567,551)
Workforce Investment Act	6,704,958	5,079,741	(1,625,217)
Temporary Assistance for Needy Families (TANF)	121,140	121,140	-
Vocational and Technical Education Act	2,056,563	2,046,932	(9,631)
Other Federal Revenue	1,319,973	1,052,606	(267,367)
Revenue from State Sources			
General Apportionments	71,500,000	70,851,810	(648,190)
Categorical Apportionments	924,184	958,512	34,328
Other State Revenues	19,712,528	15,829,613	(3,882,915)
Revenue from Local Sources			
Property Taxes	85,800,000	86,655,089	855,089
Interest and Investment Income	400,000	305,230	(94,770)
Student Fees and Charges	24,523,975	23,948,345	(575,630)
Other Local Revenue	6,974,301	6,184,932	(789,369)
TOTAL REVENUES	<u>221,793,301</u>	<u>214,222,078</u>	<u>(7,571,223)</u>
EXPENDITURES			
Academic Salaries	75,387,868	74,796,109	591,759
Classified Salaries	53,242,109	51,725,911	1,516,198
Employee Benefits	49,649,334	50,048,422	(399,088)
Supplies and Materials	5,190,486	3,623,844	1,566,642
Other Operating Expenses & Services	30,213,697	18,567,719	11,645,978
Capital Outlay	3,616,940	2,856,038	760,902
Other Uses	5,152,332	1,133,525	4,018,807
TOTAL EXPENDITURES	<u>222,452,766</u>	<u>202,751,568</u>	<u>19,701,198</u>
Excess (deficiency) of revenues over expenditures	\$ <u>(659,465)</u>	11,470,510	\$ <u>12,129,975</u>
OTHER FINANCING SOURCES (USES)			
Interfund Transfers Out		<u>(3,879,582)</u>	
TOTAL OTHER FINANCING SOURCES (USES)		<u>(3,879,582)</u>	
Excess (deficiency) of revenues over expenditures and other sources (uses)		7,590,928	
Fund Balances at the Beginning of Year			
Fund Balances at End of Year		\$ <u>19,698,262</u> <u>27,289,190</u>	

See accompanying notes to the supplementary information.

NOTE 1 PURPOSE OF SCHEDULES

Schedules of Expenditures of Federal Awards and State Financial Assistance

The audit of the Coast Community College District for the year ended June 30, 2011 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.

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.

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.

Schedule of General Fund Financial Trends and Analysis

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

Schedule of Budgetary Comparison for the 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.

**Report of Independent Auditors on Internal Control
Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic
Financial Statements Performed in Accordance with Government Auditing Standards**

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

We have audited the basic financial statements of Coast Community College District (District) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. 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 the 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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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 material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Trustees, management, the California Department of Education, the California Department of Finance, the California Community Colleges Chancellor's Office, the State Controller'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.

Vargay + Company LLP

**Los Angeles, California
November 30, 2011**

**Report of Independent Auditors on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133**

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

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 could have a direct and material effect on its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditors' 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 District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

We did not audit the District's compliance with the requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan Program described in the Compliance Supplement. Those requirements govern functions performed by Affiliated Computer Services, Inc. (ACS). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. ACS's compliance with the requirements governing the functions that it performs for the District for the year ended June 30, 2011 was examined by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' examination of ACS's compliance with such requirements.

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 on the District's compliance with those requirements.

In our opinion, Coast Community College District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with requirements that are required to be reported in accordance with OMB Circular A-133 and are described as Findings 2011-01 and 2011-02 in the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of Coast Community College 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 Coast Community College 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 Coast Community College 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

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

This report is intended solely for the information of the Board of Trustees, District management, the California Department of Finance, the California Department of Education, the California Community Colleges Chancellor's Office, and the District's federal and state awarding and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Los Angeles, California
November 30, 2011

Independent Accountants' Report on State Compliance Requirements

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

We have examined the District's compliance with the following state laws and regulations for the year ended June 30, 2011 in accordance with Section 400 of the Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM):

- Salaries of Classroom Instructors: 50% Law (421)
- Apportionment for Instructional Service Agreements/Contracts (423)
- State General Apportionment (424)
- Residency Determination for Credit Courses (425)
- Students Actively Enrolled (426)
- Concurrent Enrollment of K-12 Students in Community College Credit Courses (427)
- Gann Limit Calculation (431)
- Enrollment Fee (432)
- California Work Opportunity and Responsibility to Kids (CalWORKS) – Use of State and Federal Temporary Assistance for Needy Families (TANF) Funding (433)
- Open Enrollment (435)
- Student Fees – Instructional Materials and Health Fees (437)
- Economic and Workforce Development (473)
- Extended Opportunity Programs and Services (474)
- Disabled Students Programs and Services (475)
- Cooperative Agencies Resources for Education (477)
- Preference for Veterans and Qualified Spouse for Federally Funded Qualified Training Programs (478)
- To Be Arranged Hours (479)

Management is responsible for the Coast Community College District (the District) compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2011.

This report is intended solely for the information and use of the District's management, the Board of Trustees, and others within the District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Vargus + Company LLP

**Los Angeles, California
November 30, 2011**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued on the financial statements: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified: No
- Significant deficiency (ies) identified that are not considered to be material weaknesses? None Reported

Noncompliance material to the financial statements noted: No

Federal Awards

Internal control over its major programs:

- Material weakness(es) identified: No
- Significant deficiency (ies) identified that are not considered to be material weaknesses? None Reported

Type of auditors’ report issued on compliance for its Major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.032, 84.033, 84.063, 84.268 and 84.375A 16.738 84.048 17.207	Student Financial Assistance Cluster of Programs Virtual Interactive Training Simulation Vocational and Applied Technology Education Act Workforce Investment Act – Nursing Expansion

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

Auditee qualified as a low-risk auditee: Yes

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Finding

Finding F-2011-01 – Special Tests and Provisions – Late Return of Title IV Funds

Federal Program Information

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

Criteria or Requirement

TITLE 34 – EDUCATION, CHAPTER VI – OFFICE OF POSTSECONDARY EDUCATION, DEPARTMENT OF EDUCATION, PART 668 – STUDENT ASSISTANCE GENERAL PROVISIONS – Subpart L – Financial Responsibility Section 668.173(b) Timely Return of Title IV Funds.

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

- (1) The institution deposits or transfers the funds into the bank account it maintains under §668.163 no later than 45 days after the date it determines that the student withdrew;
- (2) The institution initiates an electronic funds transfer (EFT) no later than 45 days after the date it determines that the student withdrew;
- (3) The institution initiates an electronic transaction, no later than 45 days after the date it determines that the student withdrew, that informs an FFEL lender to adjust the borrower's loan account for the amount returned; or
- (4) The institution issues a check no later than 45 days after the date it determines that the student withdrew. However, the Secretary considers that the institution did not satisfy this requirement if:
 - (i) The institution's records show that the check was issued more than 45 days after the date the institution determined that the student withdrew; or
 - (ii) The date on the canceled check shows that the bank used by the Secretary or FFEL Program lender endorsed that check more than 60 days after the date the institution determined that the student withdrew.

Condition Found

During our testing of the District's compliance with the timely requirements for return of Title IV funds, we noted that unearned Title IV funds for 2 students from Coastline Community College, of the total 25 students selected for testing, were not returned within the required time frames. The funds were returned 69-74 days after the District determined that the student withdrew instead of the required 30-45 days.

Total Pell grant expenditures for the fiscal year ended June 30, 2011 amounted to \$35,876,193. The total disbursement for the 2 students was \$499 of the \$2,417 returns sampled.

Questioned Costs

\$499.

Finding F-2011-01 – Special Tests and Provisions – Late Return of Title IV Funds (Continued)

Possible Asserted Cause and Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

An analysis of the financial aid office Return to Title IV (R2T4) procedures has been done. The office is clear on the responsibility to meet the deadline. The financial aid director has reviewed the steps necessary for compliance and the roles of staff members in this process. The method of calculation, using the Department of Education web-based software available through the COD (Common Origination and Disbursement) system was deemed correct in the files reviewed.

The problem was the late return of funds by the District to the Pell Grant program. The College financial aid office notifies the District office of the students, amounts and programs involved. Coastline's financial aid office missed the deadline. Here are the steps we plan to follow (and already applied in this Fall 2011 semester):

- 1) Prior to the beginning of the school year, the determined dates for Return to Title IV (R2T4) are announced in planning meetings as processing dates and disbursements are fixed.
- 2) Those dates are now a part of communications to students, the award notification process and listed on the financial aid section of the College website.
- 3) As a reminder, the dates are posted on the Outlook calendars of the Director and SFA Fiscal/Accounting Specialist, and on the office wall calendar for all staff.
- 4) A report has been developed in PowerFails pulling all students who have dropped to zero unit enrollment and the date of that status. Results are verified through the BANNER system.
- 5) This report is run biweekly by a SFA Technician, results shared with the Director and Fiscal/Accounting Specialist.
- 6) Calculations are performed via the Federal software. District financial is notified, and monetary returns made to the correct programs. If the student owes a portion, the student is informed as well, with directions on how to pay.
- 7) It is suggested that semester fund summaries include a mutual sign-off between the College and the District that all R2T4 calculations have been completed and funds properly returned.

As of November 21 2011, Coastline has completed its research, identified 13 students with R2T4 obligations and 6 students entitled to and requesting PWD (Postwithdrawal Payments). We have begun the calculations. We will send our results to District financial aid and have this process completed by December 6, 2011.

Our corrective action is to follow this procedure every semester and complete all R2T4 in the required timeframes.

Finding F 2011-02 – Special Tests and Provisions – Incorrect Calculation of Return of Title IV Funds

<i>Federal Catalog Number:</i>	84.033
<i>Federal Program Name:</i>	Federal Pell Grant
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	Orange Coast College

Criteria or Requirement

Title 34, Education, Chapter VI – Office of Postsecondary Education, Department of Education, Part 668 – Student Assistance General provisions, Subpart B. Standards for Participation in Title IV, HEA Programs, Sec. 668.22 Treatment of Title IV funds when a student withdraws, states as follows:

When a recipient of title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of title IV grant or loan assistance that the student earned as of the student's withdrawal date. The amount of Title IV grant or loan assistance that is earned by the student is calculated by—

- (i) First, determining the percentage of Title IV grant or loan assistance that has been earned by the student, equal to the percentage of the payment period or period of enrollment that the student completed as of the student's withdrawal date, if this date occurs on or before completion of 60 percent of the payment period or period of enrollment for a program that is measured in credit hours.

The percentage of the payment period or period of enrollment completed is determined, in the case of a program that is measured in credit hours, by dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the student's withdrawal date.

Furthermore, the total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period.

- (ii) Second, applying this percentage to the total amount of Title IV grant or loan assistance that was disbursed (and that could have been disbursed) to the student, or on the student's behalf, for the payment period or period of enrollment as of the student's withdrawal date.

The return of unearned aid is the responsibility of the institution. The institution must return the lesser of—

- (i) The total amount of unearned title IV assistance to be returned as calculated by subtracting the amount of title IV assistance earned by the student from the amount of title IV aid that was disbursed to the student as of the date of the institution's determination that the student withdrew; or

Finding F 2011-02 – Special Tests and Provisions – Incorrect Calculation of Return of Title IV Funds (Continued)

- (ii) An amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of title IV grant or loan assistance that has not been earned by the student.

“Institutional charges” are tuition, fees, room and board (if the student contracts with the institution for the room and board) and other educationally-related expenses assessed by the institution.

Condition Found

During our testing of the District’s compliance with the Return of Title IV funds, we noted that the calculation of amount of funds to be returned to the Department of Education was incorrectly calculated for the following samples selected from Orange Coast College:

- In 4 out of 9 samples selected from the College, the total number of calendar days in the period of enrollment used in the Return to Title IV calculation excluded 5 days for spring break instead of 7 days.
- In 9 out of 9 samples selected, institutional charges used in the calculation did not include tuition fees.
- The amount of Title IV grant or loan assistance that is earned by the student used in the calculation is incorrect for 5 out of 9 samples tested.

Questioned costs

Not applicable. See recommendation below.

Possible Asserted Cause and Effect

Adequate monitoring controls do not appear to be in place to ensure accuracy of the return to Title IV calculation by using the correct total number of calendar days, including tuition fees in institutional charges, and the correct Title IV grant or loan assistance earned by the student in the calculation. We noted no evidence of review of the Return to Title IV calculation for accuracy.

Recommendation

We recommend that the District implement stricter controls to ensure that information used in the calculation of Return to Title IV funds is correct and accurate. We also recommend that the College recalculate its R2T4 for the whole year and if possible, the previous years, and return to the grantor the resulting additional R2T4.

Views of Responsible Officials and Planned Corrective Actions

Return to Title IV funds for the 10-11 award year have been recalculated and submitted for payment through the District. This was completed on September 29, 2011. NSLDS has been updated. Staffing responsibilities have been redistributed allowing for a re-check of all calculations prior to submittal.

Request has been made through IT to improve the withdrawal date and period of enrollment information that is downloaded from Banner (student data base system) to the financial aid data base system.

Section IV – State Award and Compliance Finding

None reported.

FINDING 10-01 - 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, 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 should 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.

Status

Implemented.

CONTINUING DISCLOSURE INFORMATION

**Coast Community College District
Continuing Disclosure Information (Unaudited)
Year ended June 30, 2011**

Largest 2010-11 Local Secured Taxpayers

	Property Owner	Primary Land Use	2010-2011 Asset Valuation	% of Total (1)
1	The Irvine Company	Commercial	\$ 1,540,907,712	1.64 %
2	Bella Terra Office LLC	Commercial	299,084,381	0.32
3	South Coast Plaza	Commercial	297,518,328	0.32
4	Maguire Properties-Pacific Arts Plaza	Commercial	262,213,458	0.28
5	Rreef America REIT II Corp. CCCC2	Commercial	247,000,000	0.26
6	United Dominion Realty LP	Apartments	246,061,802	0.26
7	Mayer Financial, LP	Commercial	185,071,826	0.20
8	McDonnel Douglas Corporation	Industrial	168,225,783	0.18
9	JKS-CMFV LLC	Commercial	163,685,226	0.17
10	CIM/Huntington LLC	Commercial	145,016,603	0.15
11	RTS-Sunflower, LLC	Apartments	140,917,498	0.15
12	Interinsurance Exchange of the Automobile Club of America	Commercial	128,145,922	0.14
13	Retail Property Trust	Commercial	120,306,735	0.13
14	Oxy Long Beach Inc.	Oil and Gas	118,396,375	0.13
15	Balboa Bay Club, Inc.	Commercial	117,469,324	0.13
16	Casden Lakes LP	Apartments	116,350,090	0.12
17	Coronado South Apartments LP	Apartments	114,393,193	0.12
18	Newport Healthcare Center LLC	Commercial	101,818,515	0.11
19	100 Bayview LLC	Commercial	94,295,606	0.10
20	HHR Newport Beach	Commercial	86,731,250	0.09
			<u>\$ 4,693,609,627</u>	<u>5.00 %</u>

(1) 2010-11 Local Secured Assessed Valuation: \$93,884,661,962

