

**Coast Community College District
Financial Statements and
Supplementary Information
Year ended June 30, 2013
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**

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coast Community College District as of June 30, 2013, and the results of its operations, changes in its net position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coast Community College District's basic financial statements. 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and 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.

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

The supplementary information as listed in the table of contents and the continuing disclosure information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Implementation of New Accounting Standards

As disclosed in the Note 1 to the financial statements, the Coast Community College District implemented Governmental Accounting Standards Board (GASB) Statement Nos. 61 and 63 and implemented GASB Statement No. 65 in advance during the fiscal year 2013. Among these new GASB Statements, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, has significant impact over the Coast Community College District's financial statements. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013, on our consideration of the Coast Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coast Community College District's internal control over financial reporting and compliance.

Vargay + Company LLP

**Los Angeles, California
December 9, 2013**

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, 2013. 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 Position
- The Statement of Revenues, Expenses, and Changes in Net Position
- The Statement of Cash Flows

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

Financial and Enrollment Highlights

The District ended the year with a strong fund balance. The ability to maintain a prudent reserve has continued to provide cash flow stability for the District without external borrowing. Health and welfare benefit costs continue to rise and are being monitored. Additional funds were set aside to fund the future retiree benefits liability. Over \$44 million has been set aside to meet the District's liability of approximately \$99 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 Banner financial software is also used for the student system. The student financials feed into the Banner financial system which uses an accrual method of accounting.

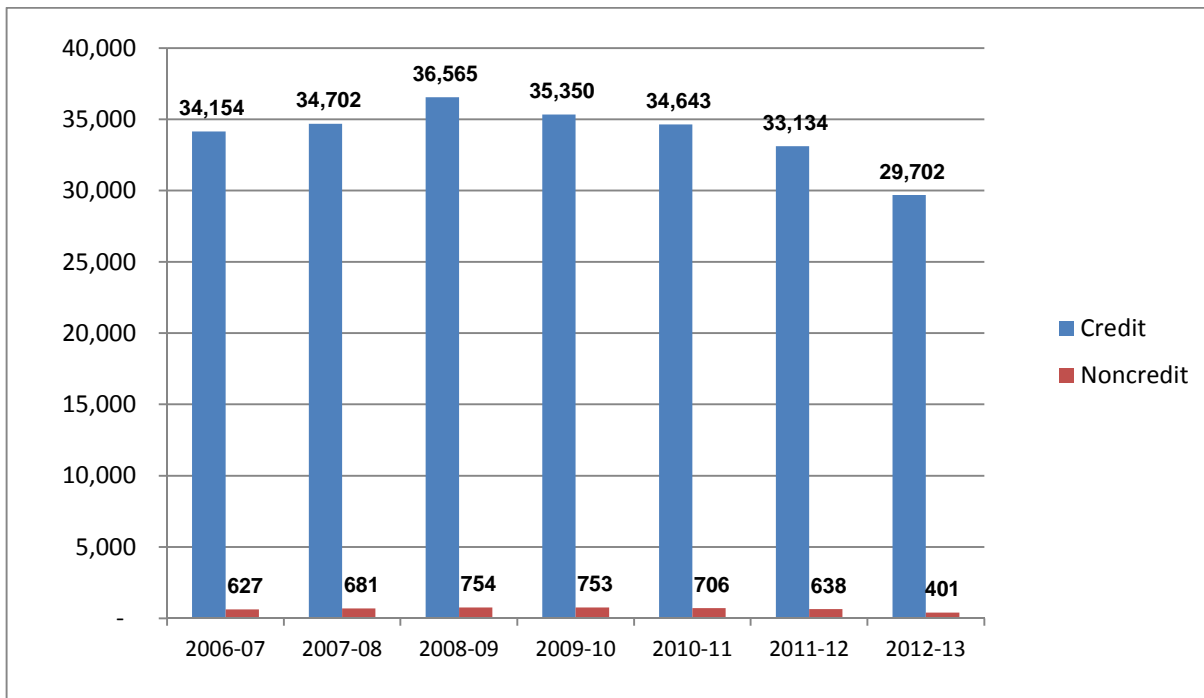
**Coast Community College District
Management's Discussion and Analysis
Year ended June 30, 2013**

In November 2002, the District's citizens passed Measure C, a general obligation bond for facilities. The District has issued all of the \$370 million of bonds. On November 6, 2012, the District voters approved and authorized the issuance and sale of \$698 million principal amount of Measure M general obligation bonds of the District.

During fiscal year 2012-13, \$315.7 million of Measure M bonds were issued. Proceeds from the sale of the bonds are to be used to finance the construction, acquisition, and modernization of certain property and District facilities while \$159.2 million were used to provide funds needed to refund a portion of Measure C general obligation bonds and certain other obligations of the District. As of June 30, 2013, approximately \$182 million in capital projects funds were unspent.

Full-time Equivalent Students (FTES) is the workload measures used to calculate the State general apportionment. Enrollments at our three colleges decreased in 2012-13 by 7.2% from the prior year to reduce unfunded FTES. Stabilization brought the District down to 30,103 FTES at the time of reporting the Annual Form CCFS 320, Apportionment Attendance Report. The District is currently 2,346 below base and is targeting restoration and 3.6% enrollment growth in the coming year and that should bring the District to a total 33,617 resident FTES.

Annual Enrollment
Full-Time Equivalent Students (FTES)



**Coast Community College District
Management's Discussion and Analysis
Year ended June 30, 2013**

Statement of Net Position

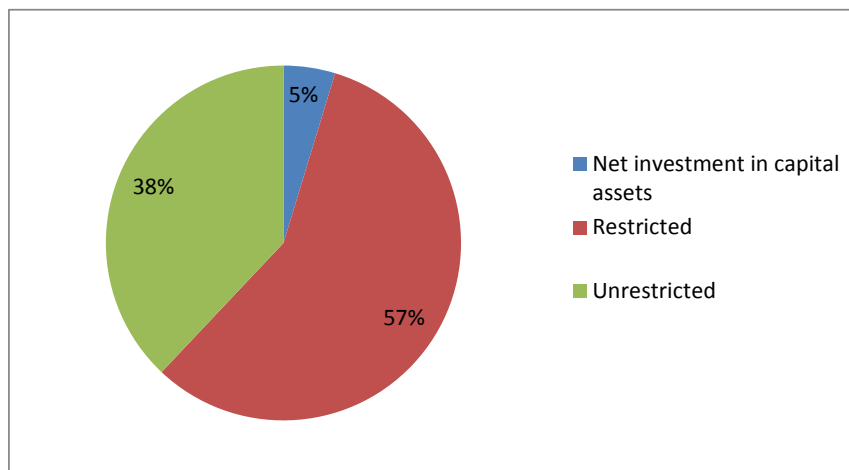
The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net position, the difference between total assets and deferred outflows of resources, and total liabilities and deferred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

	<u>2013</u>	<u>2012</u> <u>(Restated)</u>	<u>Change</u>
	(In Thousands)		
ASSETS			
Current assets			
Cash and cash equivalents	\$ 82,790	\$ 47,813	73%
Accounts receivable, net	14,776	29,064	-49%
Notes receivable - current portion	500	500	0%
Inventories	128	55	132%
Prepaid expenses	1,420	221	543%
Restricted assets:			
Restricted cash and cash equivalents	216,267	28,525	658%
Student loans receivable	2,626	2,899	-9%
Total current assets	<u>318,508</u>	<u>109,077</u>	192%
Noncurrent assets			
Notes receivable - noncurrent portion	15,125	15,625	-3%
Other post-employment benefit asset	9,674	10,532	-8%
Capital assets, net of accumulated depreciation	403,606	403,627	0%
Total noncurrent assets	<u>428,405</u>	<u>429,784</u>	0%
Total assets	<u>746,914</u>	<u>538,861</u>	39%
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	<u>16,891</u>	<u>-</u>	100%
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	19,883	16,489	21%
Unearned revenue	7,582	5,482	38%
Due to fiduciary funds	354	353	1%
Compensated absences	741	741	0%
General obligation bond payable - current portion	15,760	10,888	45%
Capital leases - current portion	154	147	5%
Total current liabilities	<u>44,476</u>	<u>34,100</u>	30%
Noncurrent liabilities			
Compensated absences	3,096	4,413	-30%
Estimated liability for open claims and IBNR's	2,692	2,784	-3%
Capital leases	599	753	-20%
General obligation bond payable - noncurrent portion	599,876	374,306	60%
Total noncurrent liabilities	<u>606,262</u>	<u>382,256</u>	59%
Total liabilities	<u>650,738</u>	<u>416,357</u>	56%
DEFERRED INFLOWS OF RESOURCES			
	<u>-</u>	<u>-</u>	
NET POSITION			
Net position			
Net investment in capital assets	5,316	34,300	-85%
Restricted	64,815	27,196	138%
Unrestricted	42,936	61,008	-30%
Total net position	<u>\$ 113,067</u>	<u>\$ 122,504</u>	-8%

**Coast Community College District
Management's Discussion and Analysis
Year ended June 30, 2013**

- Cash and cash equivalents consists mainly of cash held in the county treasury (\$281 million) and ancillary funds maintained at local banks. Cash increased significantly from the prior year due primarily to proceeds from the bond issuance that were deposited in the capital projects fund with the County. At June 30, 2013, the building fund had a cash balance of approximately \$182 million.
- The large increase in prepaid expenses was the result of a payment agreement entered into during the year whereby the District made a cash deposit for insurance payments.
- The item for other postemployment 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 unfunded actuarial accrued liability in the next 15-20 years. The decrease in the balance of other postemployment benefit asset was due to an excess of annual OPEB cost over contributions made during the fiscal year.
- Full-time faculty employees who switched to 10-month employees status from 12-month employees status were given until June 30, 2012 to either use their accrued vacation or receive a payout. All employees in this group either used their time or accepted the payout. This resulted in a significant decrease in compensated absences.
- The total assets showed an increase of 39%. Moreover, total liabilities showed an increase of 56%. This is partially because of the issuance of Measure M bonds during the year which resulted in an increased cash and long-term liability during the year. Capital appreciation bonds also increased due to accreted interest of approximately \$12 million which was added to long-term debt during the year.
- Net position showed a decrease of 6% from the prior year. Total operating expenses decreased by \$14 million, or 5%, while total operating revenues decreased by \$7 million. While nonoperating revenues increased, particularly property taxes by \$27 million, non-capital state apportionments decreased by \$18 million. This was due to the one time RDA funds replacing apportionment funds. The District remains stable despite the challenging State budget issues.

**Net Position
June 30, 2013**



**Coast Community College District
Management's Discussion and Analysis
Year ended June 30, 2013**

Statement of Revenues, Expenses and Changes in Net Position

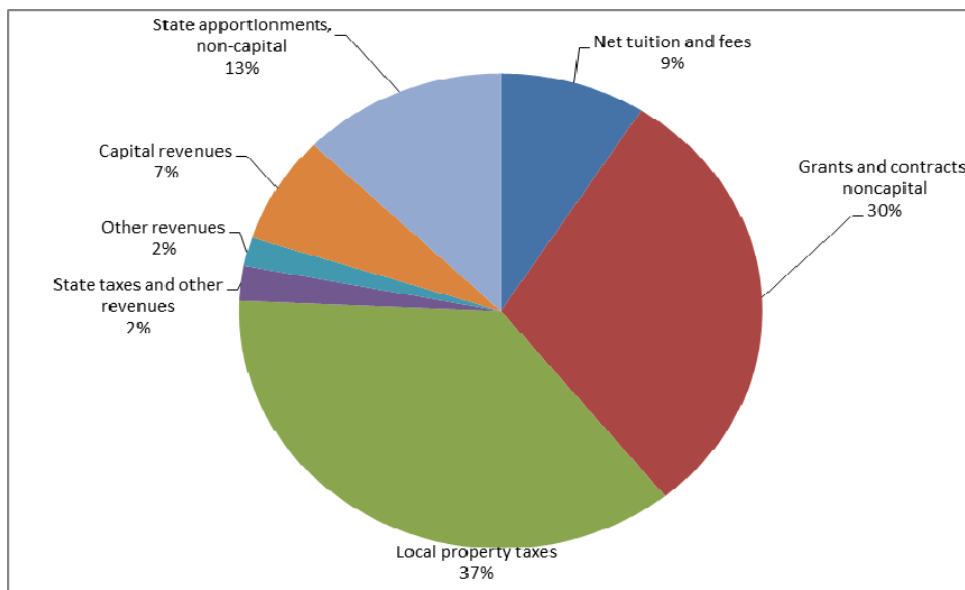
The Statement of Revenues, Expenses, and Changes in Net Position presents the operating results of the District, as well as the nonoperating revenues and expenses. State general apportionment, while budgeted for operations, is considered nonoperating revenues by generally accepted accounting principles.

	<u>2013</u>	<u>2012</u> <u>(Restated)</u>	<u>Change</u>
	(In Thousands)		
Operating revenues			
Net tuition and fees	\$ 27,176	\$ 27,419	-1%
Grants and contracts, noncapital	89,552	97,020	-8%
Auxiliary sales and charges	4,589	5,215	-12%
Total operating revenues	<u>121,317</u>	<u>129,654</u>	-6%
Operating expenses			
Salaries and benefits	176,097	182,093	-3%
Supplies, materials, and other operating expenses and services	37,046	38,298	-3%
Financial aid	52,366	58,770	-11%
Utilities	4,186	4,074	3%
Depreciation	17,552	16,509	6%
Total operating expenses	<u>287,247</u>	<u>299,745</u>	-4%
Operating income (loss)	<u>(165,931)</u>	<u>(170,091)</u>	
Nonoperating revenues (expenses)			
State apportionments, non-capital	38,279	56,688	-32%
Local property taxes	110,125	83,027	33%
State taxes and other revenues	7,108	5,863	21%
Investment income - non-capital	343	383	-10%
Interest expense on capital asset-related debt	(22,435)	(18,357)	22%
Other non-operating revenues	470	290	62%
Transfers to fiduciary funds	-	(666)	-100%
Gain (loss) on disposal of capital assets	500	717	-30%
Total nonoperating revenues (expenses)	<u>134,391</u>	<u>127,944</u>	5%
Other revenues, expenses, gains or losses			
State appointments, capital	2,346	-	100%
Local property taxes and revenues, capital	19,756	17,706	12%
Total other revenues, expenses, gains or losses	<u>22,102</u>	<u>17,706</u>	25%
Change in net position	(9,438)	(24,441)	-61%
Net position, beginning of year, prior to restatement	122,504	149,847	
Cumulative effect of change in accounting principle	-	(2,902)	
Net position, beginning of year, as restated	<u>122,504</u>	<u>146,945</u>	-17%
Net position, end of year	\$ <u>113,067</u>	\$ <u>122,504</u>	-8%

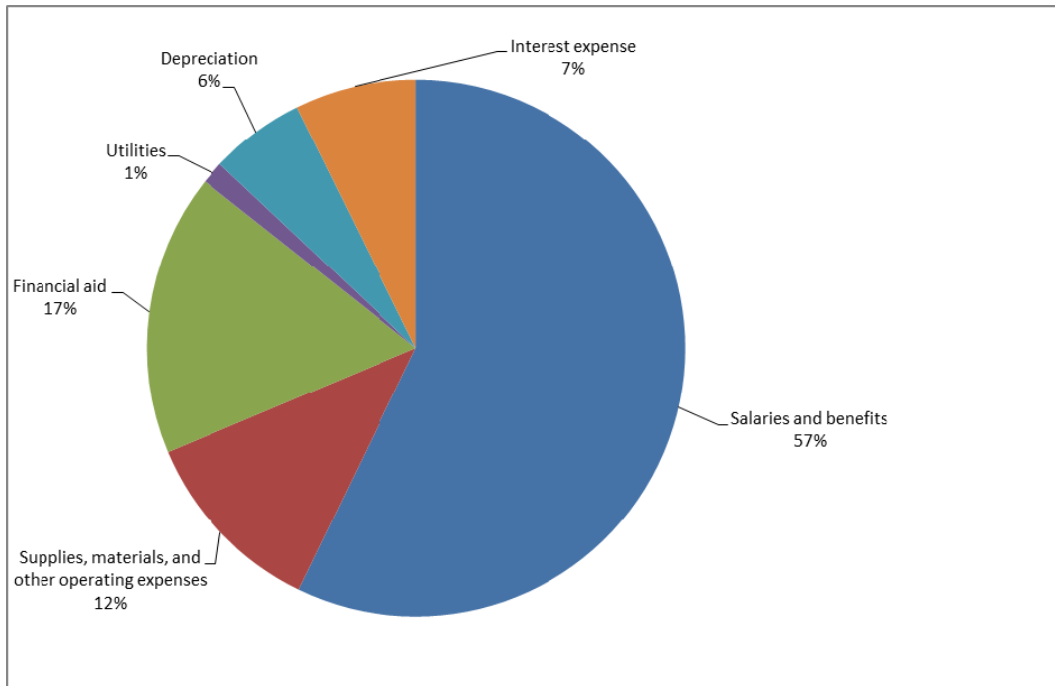
**Coast Community College District
Management's Discussion and Analysis
Year ended June 30, 2013**

- Net tuition and fees consists of enrollment fees (\$34 million), non-resident tuition (\$6.6 million), and other fees (\$7.0 million) less scholarships, discounts and allowances (\$20.4 million). Regular enrollment fees (\$46 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 composed of federal grants (\$56 million), state grants (\$13 million), and local contracts (\$23 million). The decrease in federal funding is due mainly to the decrease in federal financial aid provided for students and is also reflected in the decreased financial aid operating expenses.
- The decrease in salary and benefit expenses and supplies, materials and other operating expenses was because of the District's deliberate suppression of FTES both as a cost containment strategy to avoid layoffs and in anticipation of the failure of Proposition 30, recognizing that a Stabilization mechanism would hold the District fiscally harmless for the year. While the District has been held fiscally harmless in this year of decline, the District must recover its FTES base to avoid any erosion of its funding base.
- Depreciation expenses continue to increase as large construction projects are completed and buildings are equipped and placed into service.
- The District's state general apportionments decreased (\$18 million) because of the increase in local property taxes hence decreasing the state general apportionment base on the SB 361 funding model. SB 361 states that for each district the State shall subtract from the computed revenue apportionment a district's local property tax revenue and 98% of the enrollment fees collected by the district.
- The capital state apportionments increased (\$2.3 million) as a state funding was received for a construction project at Orange Coast College.

**Revenues
Year ended June 30, 2013**



Expenses
Year ended June 30, 2013



**Coast Community College District
Management's Discussion and Analysis
Year ended June 30, 2013**

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.

	2013	2012	Change
	(In Thousands)		
Cash provided by (used in)			
Operating activities	\$ (146,709)	\$ (157,387)	-7%
Noncapital financing activities	172,373	145,009	19%
Capital and related financing activities	196,212	(16,149)	-1315%
Investing activities	843	884	
Net decrease in cash and cash equivalents	222,718	(27,643)	-906%
Cash balance, beginning of year	76,339	103,982	-27%
Cash balance, end of year	\$ 299,057	\$ 76,339	292%

- The primary cash receipts from operating activities consist of grants and contracts and tuition and fees, while the outlays include payment of wages, benefits, supplies, services, contracts, scholarships and financial aid.
- General apportionment is the main source of noncapital financing activities and consists of state apportionment and local property taxes.
- Cash provided and used for capital and related financing activities reflects primarily the proceeds of Measure M bonds, payments to refund previously issued bonds and payments of expenditures for construction projects from the remaining Measure C Bond proceeds.
- Cash from investing activities is interest and gains on investments and the collection of notes receivable. The decrease in interest revenue is due to low interest rates and market losses.
- The overall cash balance increased because of issuance of Measure M General Obligation Bonds near the end of the fiscal year.

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2013, the District had over \$403 million invested in net capital assets. Total capital assets of \$637 million consist of land, buildings and building improvements, vehicles, data processing equipment and other office equipment; these assets have accumulated depreciation of \$233 million. New additions for construction and equipment of \$19.5 million occurred during 2012/2013, and depreciation expense of \$18 million was recorded for the fiscal year. In addition, \$69 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 <u>June 30, 2013</u>
Land	\$ 24,141,969
Buildings and site improvements	573,723,983
Equipment	35,476,801
Construction in progress	<u>4,114,917</u>
Total at historical cost	<u>637,457,670</u>
Less accumulated depreciation for:	
Buildings and site improvements	(203,558,807)
Equipment	<u>(30,292,396)</u>
Total accumulated depreciation	<u>(233,851,203)</u>
Governmental capital assets, net	<u>\$ 403,606,467</u>

Debt

At June 30, 2013, the District had \$616 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 Governor's January Budget Proposal was released on January 10, 2013 and reflected 3.6% in new apportionment funding; the first new apportionment increases since the 2007-08 FY. Historically, Cost of Living Adjustment (COLA) and Growth funding have been identified as discreet line items. This proposal, however, lumped these items together and proposed to delegate authority to the Board of Governors to divide these resources. This proposal also included a reduction in funding deferrals, new energy efficiency funds under Proposition 39, certain categorical restorations and a number of policy changes including a shift in the delivery of Adult Education and Apprenticeship, a unit cap and a phased approach to moving the census date to fund completions rather than enrollments. These turns-of-events are a function of both a recovering economy and the success of Proposition 30 as well as a heightened sense of accountability. Although the tax increases associated with Proposition 30 are temporary in nature, the income tax will run for seven years and the sales tax for four years, each branch of higher education is slated to receive new funding in each of the following three years (2013-14 through 2015-16).

CCCD Budget

- Estimated State Revenue has been adjusted to reflect 1.57% COLA (\$2,490,130) and a \$126 per FTES Unrestricted Lottery Revenue. Growth/Access funding is identified at 1.63% but Coast does not budget these funds until the following year in which they are earned.
- Statewide Categorical program funding for the 2013-14 FY stands at \$584 million, restoring much of what was lost in the last six years. The District is anticipating \$900 thousand in Categorical restoration.
- In recent years Coast CCD has maintained a reserve for contingency ranging between 5.5% to 6.5%. For the 2013/2014 the General Reserve, following Board Policy 6200, is \$12.3 million or 7% of the prior years unrestricted general fund expense.
- Salaries and benefits continue to comprise the largest portion of the District's expenses. In 2012/2013, 89.9% of the unrestricted funds were spent on salaries and benefits. The 2013-2014 budget includes salary increases for all staff based on negotiated formulas.
- Health and welfare benefit costs continue to increase each year but with the assistance of our Third Party Administrator (TPA), the District has negotiated a competitive renewal rate for 2013/2014. This year for the first time since 2006, a year-over-year decrease in renewal cost has been secured. The Final Budget reflects a total program cost reduction of \$92 thousand representing an approximate quarter percent decline. The employee contributions have remained unchanged.

- Due to the budget crisis, retiree health benefits are being funded at a reduced level at 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

Although the coming budget year holds the promise of budgetary recovery, it is not without risk. Enrollment management may be the single most important driver in this budget. The District must recover from Stabilization or will put at risk as much as \$11 million in base funding. Revenues associated with Proposition 30 are temporary in nature. While some reports indicate an economic recovery may naturally allow the state to grow through these resources, the sunset of new revenues associated with Prop 30 may interrupt the recovery noted above. There is also a growing volatility in the revenue elements making up the community college system budget. As recently as the 2008-09 FY, approximately two-thirds of apportionment funding was reflected in the state General Fund and approved in the Budget Act. That amount has now slipped to about one-third of the total system budget, the balance coming from sources such as former Redevelopment Agencies. This volatility has manifested itself this year in the form of a deficit factor approaching 5% of total apportionment revenue as measured at the 2012-13 second principle apportionment report.

Contacting the District's Financial Management

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

Coast Community College District
Statement of Net Position
June 30, 2013

	Primary Government	Component Units
ASSETS		
Current assets		
Cash and cash equivalents	\$ 82,789,805	\$ 5,647,011
Investments	-	18,504,326
Accounts receivable, net	14,776,274	805,714
Notes receivable - current portion	500,000	-
Inventories	128,212	-
Prepaid expenses and other current assets	1,420,413	213,814
Restricted assets		
Restricted cash and cash equivalents	216,267,275	-
Student loans receivable	2,626,452	-
Total current assets	318,508,431	25,170,865
Noncurrent assets		
Notes receivable - noncurrent portion	15,125,000	-
Other post-employment benefit asset	9,673,643	-
Capital assets, net of accumulated depreciation	403,606,467	3,668,358
Total noncurrent assets	428,405,110	3,668,358
Total assets	746,913,541	28,839,223
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	16,890,730	-
Total assets and deferred outflows of resources	\$ 763,804,271	\$ 28,839,223
LIABILITIES		
Current liabilities		
Accounts payable	\$ 3,142,769	\$ 258,419
Accrued liabilities	16,740,386	33,400
Unearned revenue	7,582,028	363,970
Due to District	-	68,718
Due to fiduciary funds and component units	354,445	-
Amounts held in trust for others	-	13,502
Compensated absences	741,457	-
General obligation bond payable - current portion	15,760,272	-
Capital leases - current portion	154,173	-
Total current liabilities	44,475,530	738,009
Noncurrent liabilities		
Compensated absences	3,096,232	-
Deferred tax liability	-	22,600
Estimated liability for medical and workers' compensation claims	2,691,558	-
Capital leases	598,592	-
General obligation bond payable - noncurrent portion	599,875,596	-
Total noncurrent liabilities	606,261,978	22,600
Total liabilities	650,737,509	760,609
DEFERRED INFLOWS OF RESOURCES		
Total deferred inflows of resources	-	-
NET POSITION		
Net investment in capital assets	5,315,539	-
Permanently restricted	-	5,285,453
Temporarily restricted	-	20,226,102
Restricted (expendable) for:		
Programs	286,369	-
Scholarships and loans	3,618,424	-
Capital projects	27,154,997	-
Debt service	33,755,643	-
Unrestricted	42,935,790	1,757,617
Retained earnings	-	809,284
Total net position	113,066,762	28,078,456
STOCKHOLDERS' EQUITY - COMMON STOCK		
	-	158
Total liabilities, deferred inflows of resources, net position and stockholder's equity	\$ 763,804,271	\$ 28,839,223

See notes to financial statements.

Coast Community College District
Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2013

	Primary Government	Component Units
Operating revenues		
Enrollment, tuition and fees - gross	\$ 47,566,380	\$ -
Less scholarship discounts and allowance	(20,390,337)	-
Net tuition and fees	27,176,043	-
Grants and contracts, non-capital:		
Federal	55,521,825	-
State	13,077,676	-
Local	20,952,400	8,553,018
Auxiliary enterprise sales and charges	4,588,574	6,131,669
Total operating revenues	121,316,518	14,684,687
Operating expenses		
Salaries	127,877,429	1,246,981
Employee benefits	48,219,919	334,013
Supplies, materials, and other operating expenses and services	37,045,648	10,108,598
Financial aid	52,366,061	-
Utilities	4,186,266	-
Depreciation	17,551,828	766,744
Total operating expenses	287,247,151	12,456,336
Operating income (loss)	(165,930,633)	2,228,351
Nonoperating revenues (expenses)		
State apportionments, non-capital	38,279,446	-
Local property taxes	110,124,758	-
State taxes and other revenues	7,107,622	-
Investment income - non-capital	343,113	-
Interest expense on capital asset-related debt	(22,434,677)	-
Other nonoperating revenues	470,137	-
Other nonoperating expenses	-	(45,822)
Gain (loss) on disposal of capital assets	500,222	(493,441)
Net nonoperating revenues (expenses)	134,390,621	(539,263)
Income (loss) before other revenues, expenses, gains or losses	(31,540,012)	1,689,088
Other revenues, expenses, gains or losses		
State apportionments, capital	2,346,000	-
Local property taxes and revenues, capital	19,756,330	-
Total other revenues, expenses, gains or losses	22,102,330	-
Change in net position	(9,437,682)	1,689,088
Net position, beginning of year, as restated (Note 17)	122,504,444	-
Net assets/Retained earnings, beginning of year, as restated	-	26,389,368
Net position, end of year	\$ 113,066,762	\$ 28,078,456

See notes to financial statements.

Coast Community College District
Statement of Cash Flows
Year ended June 30, 2013

	Primary Government	Component Units
Cash flows from operating activities		
Tuition and fees (net)	\$ 28,013,364	\$ -
Federal grants and contracts	54,556,823	-
State grants and contracts	15,942,045	-
Local grants and contracts	20,136,155	-
Administrative fees and interest	-	693,315
Donations	-	3,310,373
Payments for operating expenditures	(39,381,686)	(9,964,920)
Payments to/on-behalf of employees	(176,548,918)	-
Payments to/on-behalf of students	(52,093,553)	(748,400)
Auxiliary enterprise sales and charges	2,666,391	6,638,289
Net cash used in operating activities	(146,709,379)	(71,343)
Cash flows from non-capital financing activities		
State apportionments and receipts	54,670,519	-
Property taxes	110,124,758	-
State tax and other revenues	7,577,759	-
Dividends paid	-	(475,000)
Net cash provided by non-capital financing activities	172,373,036	(475,000)
Cash flows from capital and related financing activities		
Capital grants and gifts received	2,346,000	-
Other local capital receipts	19,756,330	-
Purchases of capital assets	(17,531,670)	-
Proceeds from sale of capital assets	500,222	837,207
Proceeds from issuance of bonds	351,522,414	-
Bond issuance cost	(1,704,960)	-
Principal paid on capital debt	(147,097,289)	-
Interest paid on capital debt	(11,579,418)	-
Net cash provided by (used in) capital and related financing activities	196,211,629	837,207
Cash flows from investing activities		
Interest and dividends on investments	343,113	237,500
Net sales of investments	-	16,697,458
Purchase of investments	-	(16,903,652)
Collection of long-term notes receivables	500,000	-
Net cash provided by investing activities	843,113	31,306
Net change in cash and cash equivalents	222,718,399	322,170
Cash and cash equivalents - beginning of year	76,338,681	5,324,841
Cash and cash equivalents - end of year	\$ 299,057,080	\$ 5,647,011
Details of cash and cash equivalents in the statement of net position:		
Cash and cash equivalents	\$ 82,789,805	
Restricted cash and cash equivalents	216,267,275	
Total cash and cash equivalents	\$ 299,057,080	

See notes to financial statements.

**Coast Community College District
Statement of Cash Flows (Continued)
Year ended June 30, 2013**

	<u>Primary Government</u>	<u>Component Units</u>
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	\$ (165,930,633)	\$ 2,228,351
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Net non-cash contributions	-	(767,157)
Provision for income taxes	-	(45,822)
Loss from sale of capital assets	-	(493,441)
Realized and unrealized gain on investments, net	-	(1,008,492)
Change in value of split-interest agreement	-	(29,575)
Depreciation expense	17,551,828	766,744
Changes in assets and liabilities:		
Receivables, net	(2,103,733)	(492,306)
Inventory	(72,933)	-
Prepaid expenses and other assets	(1,199,624)	238,268
Student loans receivable	272,508	-
Other post-employment benefit asset	858,753	-
Accounts payable	(1,602,044)	(275,794)
Accrued liabilities	4,824,334	(24,442)
Compensated absences	(1,317,224)	-
Unearned revenue	2,100,129	(80,521)
Deferred tax liability	-	(18,400)
Due to District	-	18,451
Other assets	-	(87,207)
Due to/from fiduciary funds	1,863	-
Estimated liability for medical and worker's compensation claims	(92,603)	-
Net cash used in operating activities	<u>\$ (146,709,379)</u>	<u>\$ (71,343)</u>
Non-cash Financing Activities:		
Accretion of interest on capital appreciation bonds	<u>\$ 11,861,323</u>	

See notes to financial statements.

**Coast Community College District
Statement of Fiduciary Net Position
June 30, 2013**

	Coast CCD Ancillary	Associated Student Body Funds
ASSETS		
Cash on hand and in banks	\$ 2,146,089	\$ 9,471,743
Investments	-	500,000
Accounts receivable:		
Miscellaneous	-	429,024
Prepaid expense	33,791	78,896
Due from governmental funds	-	105,000
Total assets	\$ 2,179,880	\$ 10,584,663
LIABILITIES AND NET POSITION		
Liabilities		
Accounts payable	\$ 96,142	\$ 234,205
Funds held in trust	2,083,738	3,093,243
Total liabilities	2,179,880	3,327,448
Net position		
Unrestricted	-	7,257,215
Total net position	-	7,257,215
Total liabilities and net position	\$ 2,179,880	\$ 10,584,663

See notes to financial statements.

**Coast Community College District
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2013**

		<u>Associated Student Body Funds</u>
Additions		
Sales	\$	2,240,328
Interest and investment income		4,952
Student representation fee		1,547,709
Other local revenues		<u>285,894</u>
Total additions		<u><u>4,078,883</u></u>
 Deductions		
Classified salaries		565,526
Employee benefits		208,696
Supplies and materials		934,949
Services and other operating expenses		1,745,247
Capital outlay		<u>30,589</u>
Total deductions		<u><u>3,485,007</u></u>
 Change in net position		 593,876
Net position, beginning of year		<u>6,663,339</u>
Net position, end of year	\$	<u><u>7,257,215</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: Coast Community College District Foundation, Coastline College Foundation, Golden West College Foundation, Orange Coast College Foundation, and Coast Community College District Enterprise Corporation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Boards 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.

Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2013, the District adopted the following Governmental Accounting Standards Board (GASB) statements which impacted the District's financial statements:

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB statement nos. 34 and 14*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The District determined that the component units discretely presented with the District's financial statements comply with the new requirements noted in the amendments.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement codifies into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in certain private sector standards issued on or before November 30, 1989. In the prior years, the District followed private-sector standards of accounting and financial reporting issued prior to December 1, 1989 in both the government-wide and proprietary fund financial statements to the extent those standards did not conflict with the guidance of the GASB. Based on the District's calculation of capitalizable interest and related depreciation, which is now required by GASB No. 62, implementation of this standard did not have a material impact on the District's financial statements.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows of resources and deferred inflow of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. For the fiscal year 2012-2013, the District's deferred outflows of resources represent the difference between the net carrying amount of refunded debt and its reacquisition price. This was a result of advance refunding of debt reported during the fiscal year which resulted in defeasance of debt.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities.*** The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Adoption of this statement resulted in restatement of the District's beginning net position balance because of the write-off of deferred bond issuance cost which was recognized as an asset in the prior years.

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, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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 substantially 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts 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.

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 load banking.

Unearned Revenue

Cash received for Federal and State special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. For expenditure-driven grants, unearned revenue is recorded to the extent cash received on specific projects and programs, exceeds qualified expenditures.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Position.

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.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement Nos. 63 and 65, the District recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Note 17 for a detailed listing of the deferred outflows of resources the District has recognized during the fiscal year.

Net Position

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

Restricted net position - expendable: Restricted expendable net position 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 positions are available.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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 state recalculation will be recorded in the year computed by the State.

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 \$2.7 million for the State Teachers' Retirement System (STRS).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants 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. California State law requires that all public funds be collateralized by bonds or government backed 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, 2013, \$11.2 million of the District's bank balance of \$14 million was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	<u>\$ 11,250,809</u>
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NOTE 2 DEPOSITS (CONTINUED)

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, 2013, as provided by the pool sponsor, was \$281,120,402.

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

NOTE 3 ACCOUNTS RECEIVABLE

The accounts receivable balance as of June 30, 2013 consists of the following:

Federal and state	\$	9,340,594
Miscellaneous		7,896,476
Student loans		2,626,452
Total \$		19,863,522

NOTE 4 NOTE RECEIVABLE

The District obtained a note receivable in the amount of \$20,000,000 for the sale of KOCE and the KOCE-TV operating license on March 17, 2004. The payments are to be made to the District over 26 years. The District is receiving quarterly payments of \$125,000. The balance of the notes receivable as of June 30, 2013 is \$15,625,000.

Coast Community College District
Notes to Financial Statements
Year ended June 30, 2013

NOTE 5 CAPITAL ASSETS

The following provides a summary of changes in capital assets for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Capital assets not being depreciated				
Land	\$ 24,141,969	\$ -	\$ -	\$ 24,141,969
Work-in-progress	57,809,269	17,518,233	(71,212,585)	4,114,917
Total capital assets not being depreciated	<u>81,951,238</u>	<u>17,518,233</u>	<u>(71,212,585)</u>	<u>28,256,886</u>
Capital assets being depreciated:				
Buildings and improvements	504,641,676	69,082,307	-	573,723,983
Equipment	33,732,384	2,143,715	(399,298)	35,476,801
Total capital assets being depreciated	<u>538,374,060</u>	<u>71,226,022</u>	<u>(399,298)</u>	<u>609,200,784</u>
Less accumulated depreciation for:				
Buildings and improvements	(187,584,341)	(15,974,466)	-	(203,558,807)
Equipment	(29,114,332)	(1,577,362)	399,298	(30,292,396)
Total accumulated depreciation	<u>(216,698,673)</u>	<u>(17,551,828)</u>	<u>399,298</u>	<u>(233,851,203)</u>
Governmental capital assets, net	<u>\$ 403,626,625</u>	<u>\$ 71,192,427</u>	<u>\$ (71,212,585)</u>	<u>\$ 403,606,467</u>

NOTE 6 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
2014	\$ 154,173	\$ 33,017	\$ 187,190
2015	161,378	25,812	187,190
2016	168,919	18,271	187,190
2017	176,814	10,376	187,190
2018	91,481	2,113	93,594
Total	<u>\$ 752,765</u>	<u>\$ 89,589</u>	<u>\$ 842,354</u>

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

NOTE 7 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
2014	\$ 407,169
2015	299,159
Total	\$ <u>706,328</u>

Current year expenditures for operating leases were approximately \$550,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

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
2014	\$ 480,000
2015	480,000
2016	480,000
2017	480,000
2018	480,000
2019-2023	2,400,000
2024-2028	2,400,000
2029-2032	<u>1,880,000</u>
Total	\$ <u>9,080,000</u>

Coast Community College District
Notes to Financial Statements
Year ended June 30, 2013

NOTE 8 GENERAL OBLIGATION BONDS

On November 5, 2002, the District voters approved the issuance and sale of Measure C General Obligation Bonds totaling \$370,000,000. Proceeds from the sale of the bonds were 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.

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

The outstanding general obligation bonded debts of the District at June 30, 2013 are as follows:

	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding 7/1/2012 (Restated)	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2013
Series A	4/17/2003	2.50 - 5.50	8/1/2016	\$ 110,000,000	\$ 8,695,000	\$ -	\$ 3,355,000	\$ 5,340,000
2005 Refunding	3/10/2005	3.00 - 5.25	8/1/2022	74,893,867	54,978,867	-	35,925,000	19,053,867
2006 Series B	6/28/2006	3.63 - 5.00	8/1/2030	149,859,831	143,989,831	-	87,145,000	56,844,831
2006 Series C	6/28/2006	3.63 - 5.00	8/1/2036	110,140,169	110,140,169	-	-	110,140,169
2011A LRB	8/1/2011	4.00 - 5.00	5/15/2041	20,525,000	20,525,000	-	20,525,000	-
2013 A	5/29/2013	1.50 - 5.00	8/1/2038	190,000,000	-	190,000,000	-	190,000,000
2013 B	5/29/2013	0.45 - 1.64	8/1/2018	10,000,000	-	10,000,000	-	10,000,000
Refunding Series A	5/29/2013	2.00 - 5.00	8/1/2024	80,265,000	-	80,265,000	-	80,265,000
Refunding Series B	5/29/2013	0.35 - 2.27	8/1/2020	35,475,000	-	35,475,000	-	35,475,000
				<u>\$ 781,158,867</u>	<u>\$ 338,328,867</u>	<u>\$ 315,740,000</u>	<u>\$ 146,950,000</u>	<u>507,118,867</u>
							Premium	37,515,260
							Accreted interest	71,001,741
							Total	<u>\$ 615,635,868</u>

The beginning balance of outstanding bonded debts was restated to include the \$20,525,000 of Series 2011A Lease Revenue Bonds that were issued in the fiscal year 2011-12 and defeased during the year 2012-13. The restatement did not have a significant impact on the District's beginning net position.

Series A

The annual debt service requirements for outstanding Series A bonds as of June 30, 2013 are as follows:

Year ending June 30,	Principal	Interest	Total
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>\$ 5,340,000</u>	<u>\$ 316,500</u>	<u>\$ 5,656,500</u>

NOTE 8 GENERAL OBLIGATION BONDS (CONTINUED)

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 2012-13 year.

2005 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. In May 2013, \$31,705,000 of the current interest bonds were refunded by the issuance of the 2013 Taxable General Obligation Refunding Bonds, Series B.

Capital appreciation bonds were issued as part of the 2005 Refunding Bonds 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 \$4,223,833 as of June 30, 2013 has been reflected as long-term debt.

The debt service requirements for the remaining outstanding balance of the current interest bonds and the capital appreciation bonds as of June 30, 2013 are as follows:

Year ending June 30,	Principal	Interest	Total
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	-	-	-
2018	-	-	-
2019-2023	2,618,867	15,471,133	18,090,000
Total	<u>\$ 19,053,867</u>	<u>\$ 21,538,733</u>	<u>\$ 40,592,600</u>

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 were 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.

NOTE 8 GENERAL OBLIGATION BONDS (CONTINUED)

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 2012-13 year.

Capital appreciation bonds in the amount of \$48,859,831 were issued as part of the Series B issuance with maturity dates from August 1, 2025 through 2030. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest of \$20,255,396 as of June 30, 2013 has been reflected as long-term debt.

Capital appreciation bonds in the amount of \$110,140,169 were issued as part of the Series C issuance with maturity dates from August 1, 2029 through 2036. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest of \$46,522,512 as of June 30, 2013 has been reflected as long-term debt.

In May 2013, \$84,635,000 of the outstanding balance of current interest Series B Bonds was advance refunded by the issuance of Tax-Exempt General Obligation Refunding Bonds Series A.

The debt service requirements for the remaining outstanding current interest bonds and capital appreciation bonds Series B and C as of June 30, 2013 are as follows:

Series B

Year ending June 30,	Principal	Accreted Interest Component	Current Interest Component	Total
2014	\$ 2,885,000	\$ -	\$ 4,541,218	\$ 7,426,218
2015	785,000	-	4,452,903	5,237,903
2016	1,660,000	-	4,397,288	6,057,288
2017	2,655,000	-	2,178,931	4,833,931
2018	-	-	-	-
2019-2023	-	-	-	-
2024-2028	19,422,018	31,897,982	-	51,320,000
2029-2031	29,437,813	60,952,187	-	90,390,000
Total	<u>\$ 56,844,831</u>	<u>92,850,169</u>	<u>15,570,340</u>	<u>165,265,340</u>

NOTE 8 GENERAL OBLIGATION BONDS (CONTINUED)

Series C

Year ending June 30,	Principal	Accreted Interest Component	Current Interest Component	Total
2014	\$ -	\$ -	\$ -	\$ -
2015	-	-	2,830,500	2,830,500
2016	-	-	5,661,000	5,661,000
2017	-	-	5,661,000	5,661,000
2018	-	-	5,661,000	5,661,000
2019-2023	-	-	28,305,000	28,305,000
2024-2028	-	-	28,305,000	28,305,000
2029-2033	73,814,323	30,655,677	23,603,500	128,073,500
2034-2036	33,443,371	100,011,629	1,623,000	135,078,000
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>

Bonds issued in FY 2012-13

On May 29, 2013, the District issued the following Measure M general obligation bonds:

- **\$190,000,000 General Obligation Bonds, Series 2013A** - The 2013A Bonds were issued to (a) finance the acquisition, construction, modernization and renovation of District sites and facilities, (b) refinance all or a portion of the California Community College Financing Authority Lease Revenue Bonds, Series 2011A for the District (the "2011A Lease Revenue Bonds"), and (c) pay certain costs of issuance of the 2013A Bonds. Of the \$207,250,729 proceeds of the bonds, \$25,599,201 was deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2011A Lease Revenue Bonds. As a result, the 2011A Lease Revenue Bonds are considered defeased and the liability for those bonds has been removed from the District's financial statements. The District refinanced the 2011A Lease Revenue Bonds to reduce its total debt service payments over the next 28 years by almost \$1.2 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$.6 million.

The difference between the reacquisition price and the net carrying amount on refunded 2011A Lease Revenue Bonds is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$5,359,201. Amortization of \$17,546 was recognized during the fiscal year 2012-13.

NOTE 8 GENERAL OBLIGATION BONDS (CONTINUED)

Premiums received are added to the maturity amount and amortized to interest expense over the life of the liability. The Series 2013A bonds included a premium of \$17,250,729. This amount is amortized using the straight-line method. Amortization of \$56,480 was recognized during the 2012-13 year.

The debt service requirements for Series 2013A outstanding bonds as of June 30, 2013 are as follows:

Year ending June 30,	Principal	Interest	Total
2014	\$ -	\$ 4,480,820	\$ 4,480,820
2015	12,020,000	8,123,020	20,143,020
2016	14,415,000	7,143,175	21,558,175
2017	9,085,000	6,865,675	15,950,675
2018	1,185,000	6,711,625	7,896,625
2019-2023	11,000,000	32,627,375	43,627,375
2024-2028	23,570,000	28,954,925	52,524,925
2029-2033	40,420,000	21,769,275	62,189,275
2034-2038	62,425,000	11,065,925	73,490,925
2039	15,880,000	358,175	16,238,175
	<u>\$ 190,000,000</u>	<u>\$ 128,099,989</u>	<u>\$ 318,099,989</u>

- **\$10,000,000 General Obligation Bonds, Series 2013B** - The 2013B Bonds were issued to (i) finance an endowment for voter-approved technology upgrades, and (ii) pay certain costs of issuance of the 2013B Bonds.

The debt service requirements for Series 2013B, outstanding as of June 30, 2013 are as follows:

Year ending June 30,	Principal	Interest	Total
2014	\$ -	\$ 57,303	\$ 57,303
2015	1,960,000	101,777	2,061,777
2016	1,985,000	83,102	2,068,102
2017	2,000,000	68,816	2,068,816
2018 -2019	4,055,000	63,603	4,118,603
	<u>\$ 10,000,000</u>	<u>\$ 374,600</u>	<u>\$ 10,374,600</u>

NOTE 8 GENERAL OBLIGATION BONDS (CONTINUED)

- **\$80,265,000 2013 Tax-Exempt General Obligation Refunding Bonds, Series A** - The Refunding Bonds were issued to (a) advance refund a portion of the District's outstanding Election of 2002 General Obligation Bonds, Series 2006B (the "Refunded 2006B Bonds"), and (b) pay the costs of issuing the Tax-Exempt Refunding Bonds. The net proceeds of \$98,170,631 after payment of underwriting fees, insurance, and other issuance costs were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the payment of interest on the Refunded 2006B Bonds due on and prior to August 1, 2016, and redeem on such date the Refunded 2006B Bonds at a redemption price equal to 100% of the outstanding principal amount thereof of \$84,635,000. As a result, that portion of the 2006B Bonds are considered to be defeased and the liability for those bonds has been removed from the District's financial statements. The District refunded the 2006B Bonds to reduce its total debt service payments over the next 11 years by approximately \$8.8 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$7.2 million.

The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$11,635,262. Amortization of \$86,187 was recognized during the 2012-13 year.

Premiums received are added to the maturity amount and amortized to interest expense over the life of the liability. The Series 2013A bonds included a premium of \$18,531,685. This amount is amortized using the straight-line method. Amortization of \$137,272 was recognized during the fiscal year 2012-13.

The annual payments for Refunding Series A Bonds as of June 30, 2013 are as follows:

Year ending June 30,	Principal	Interest	Total
2014	\$ 1,295,000	\$ 2,593,020	\$ 3,888,020
2015	80,000	3,849,950	3,929,950
2016	80,000	3,847,950	3,927,950
2017	85,000	3,845,475	3,930,475
2018	4,090,000	3,762,400	7,852,400
2019-2023	37,960,000	14,538,175	52,498,175
2024-2025	36,675,000	1,795,125	38,470,125
	\$ 80,265,000	\$ 34,232,095	\$ 114,497,095

NOTE 8 GENERAL OBLIGATION BONDS (CONTINUED)

- **\$35,475,000 2013 Taxable General Obligation Refunding Bonds, Series B -**
The Refunding Bonds were issued to (a) advance refund a portion of the District's outstanding 2005 Refunding General Obligation Bonds (the "Refunded 2005 Bonds"), and (b) pay the costs of issuing the Taxable Refunding Bonds. The net bond proceeds of \$35,473,298 after payment of underwriting fees, insurance, and other issuance costs were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the payment of interest on the Refunded 2005 Bonds due on and prior to August 1, 2015, and redeem on such date the Refunded 2005 Bonds at a redemption price equal to 100% of the outstanding principal amount thereof of \$31,705,000. As a result, that portion of the 2005 Refunding Bonds are considered to be defeased and the liability for those bonds has been removed from the District's financial statements. The District refunded the 2005 Refunding Bonds to reduce its total debt service payments over the next 7 years by \$2 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1.8 million.

The annual payments for Refunding Series B Bonds as of June 30, 2013 are as follows:

Year ending June 30,	Principal	Current Interest Component	Total
2014	\$ 660,000	\$ 354,610	\$ 1,014,610
2015	980,000	524,722	1,504,722
2016	985,000	519,616	1,504,616
2017	6,880,000	487,682	7,367,682
2018	6,925,000	412,320	7,337,320
2019-2021	19,045,000	544,303	19,589,303
	\$ 35,475,000	\$ 2,843,251	\$ 38,318,251

NOTE 9 LONG-TERM DEBT

The schedule of changes in long-term debt for the year ended June 30, 2013 is shown below:

	Balance July 1, 2012 (Restated)	Additions	Reductions	Balance June 30, 2013	Amounts Due within one year
General obligation bonds:					
Bonds payable	\$ 338,328,867	\$ 315,740,000	\$ 146,950,000	\$ 507,118,867	\$ 13,300,000
Premium	9,747,276	35,782,414	8,014,430	37,515,260	2,460,272
Accreted interest	59,140,418	11,861,323	-	71,001,741	-
Capital leases	900,055	-	147,289	752,766	154,173
Compensated absences	5,154,913	-	1,317,224	3,837,689	741,457
Total long-term liabilities	<u>\$ 413,271,529</u>	<u>\$ 363,383,737</u>	<u>\$ 156,428,943</u>	<u>\$ 620,226,323</u>	<u>\$ 16,655,902</u>

NOTE 10 EMPLOYEE RETIREMENT PLANS

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

State Teachers' Retirement System (STRS)

Plan Description

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

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 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

NOTE 10 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 2012-13 was 11.417% 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 are as follows:

Year ended June 30,	STRS		PERS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2011	\$ 5,396,941	100%	\$ 6,289,443	100%
2012	5,028,307	100%	6,067,585	100%
2013	4,863,635	100%	6,257,505	100%

NOTE 10 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 \$624,722 during the fiscal year. The total amount of covered compensation was \$10,079,404. Total contributions made are 100% of the amount of contributions required for fiscal year 2012-13.

NOTE 11 POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

The District administers a single-employer defined benefit healthcare plan. The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. 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 June 30, 2013, the District contributed \$7,316,318 to the plan for current year premiums.

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.

NOTE 11 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

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)	\$	8,124,575
Interest on net OPEB obligation (asset)		(737,267)
Adjustment to annual required contribution		<u>787,763</u>
Annual OPEB cost		8,175,071
Contributions made		<u>(7,316,318)</u>
Change in net OPEB obligation (asset)		858,753
Net OPEB obligation (asset) - beginning of year		<u>(10,532,396)</u>
Net OPEB obligation (asset) - end of year	\$	<u><u>(9,673,643)</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
6/30/2011	\$ 8,269,719	170.75%	\$ 11,395,286
6/30/2012	8,179,208	89.45%	10,532,396
6/30/2013	8,175,071	89.50%	9,673,643

Funded Status and Funding Progress

As of May 1, 2012, the most recent actuarial valuation date, the plan was 43.97% funded. The actuarial accrued liability for benefits was \$99.1 million, and the unfunded actuarial accrued liability (UAAL) was \$55.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$123 million, and the ratio of the UAAL to the covered payroll was 45.05%. In fiscal year 2007, the District established an irrevocable trust administrated by the Retiree Health Benefit Program Joint Powers Agreement (JPA) organized by the Community College League of California. The District did not make an irrevocable contribution to the trust in fiscal year 2012-2013.

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.

NOTE 11 POSTEMPLOYMENT HEALTHCARE BENEFITS (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, 2013, was fifteen years.

NOTE 12 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 is a component unit of the District for financial reporting purposes.

PIPS provides workers' compensation reinsurance protection to its public schools and community college membership 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.

NOTE 12 JOINT POWERS AGREEMENT (CONTINUED)

SEWUP provides enhanced protection against construction losses that could negatively impact school districts in California and is intended 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. 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 6/30/2012 (Audited)	SELF 6/30/2012 (Audited)	SEWUP 6/30/2012 (Audited)	SWACC 6/30/2012 (Audited)
Total assets	\$ 120,376,363	\$ 171,510,000	\$ 21,461,534	\$ 48,874,611
Total liabilities	<u>97,382,754</u>	<u>132,654,000</u>	<u>16,566,848</u>	<u>21,266,021</u>
Net Position	<u>\$ 22,993,609</u>	<u>\$ 38,856,000</u>	<u>4,894,686</u>	<u>27,608,590</u>
Total revenues	\$ 34,054,980	\$ 17,347,000	\$ 9,963,002	\$ 10,916,311
Total expenditures	<u>33,820,261</u>	<u>11,741,000</u>	<u>11,744,445</u>	<u>6,710,584</u>
Net increase/(decrease) in Net Position	<u>\$ 234,719</u>	<u>\$ 5,606,000</u>	<u>\$ (1,781,443)</u>	<u>\$ 4,205,727</u>

NOTE 13 INTERNAL SERVICE FUND

The District is exposed to various risks of loss related to injuries to employees and medical claims. The District maintains 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 for each claim each plan year for medical claims. The District purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

Coast Community College District
Notes to Financial Statements
Year ended June 30, 2013

NOTE 13 INTERNAL SERVICE FUND (CONTINUED)

At June 30, 2013, the District accrued the medical and workers compensation claims liabilities 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 \$2,691,558. Changes in the reported liability are shown below:

Fiscal year end	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year liability
Health and Other Benefits	\$ 2,251,778	\$ 19,598,341	\$ 19,690,944	\$ 2,159,175
Workers' Compensation	532,383	-	-	532,383
	<u>\$ 2,784,161</u>	<u>\$ 19,598,341</u>	<u>19,690,944</u>	<u>2,691,558</u>

NOTE 14 FUNCTIONAL EXPENSES

	Salaries	Employee Benefits	Supplies, Materials, Other Expenses and Services	Utilities	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 53,943,767	\$ 20,637,721	\$ 2,660,625	\$ -	\$ -	\$ -	\$ 77,242,113
Academic support	16,789,972	6,423,481	2,737,338	-	-	-	25,950,792
Student services	15,679,516	5,998,644	1,836,841	-	-	-	23,515,001
Operation and maintenance of plant	5,595,956	2,140,892	5,185,871	-	-	-	12,922,720
Institutional support services	18,010,540	6,890,444	10,404,734	-	-	-	35,305,718
Community services and economic development	353,702	135,319	-	-	-	-	489,021
Ancillary services and auxiliary operations	16,426,460	5,597,234	10,697,022	-	-	-	32,720,716
Student aid	-	-	-	-	52,366,061	-	52,366,061
Utilities	-	-	-	4,186,266	-	-	4,186,266
Other outgo	1,077,516	396,183	3,523,217	-	-	-	4,996,916
Depreciation expense	-	-	-	-	-	17,551,828	17,551,828
Total	<u>\$ 127,877,429</u>	<u>\$ 48,219,919</u>	<u>\$ 37,045,648</u>	<u>\$ 4,186,266</u>	<u>52,366,061</u>	<u>\$ 17,551,828</u>	<u>\$ 287,247,151</u>

NOTE 15 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, 2013, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$36.3 million. Projects will be funded through bond proceeds, State funds and general funds. Contracts payable of \$1.3 million is included in accrued liabilities of \$15 million as of June 30, 2013.

NOTE 16 DEFERRED OUTFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”* and GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities,”* the District recognized deferred outflows of resources in the District-wide financial statements. During the fiscal year, the District issued refunding general obligation bonds and advance refunded certain bonds which resulted in defeasance of debt. The deferred outflow of resources pertains to the difference in the carrying value of refunded debt and its reacquisition price. Previous financial reporting standards require this to be presented as part of the District’s long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

	<u>Balance at June 30, 2013</u>
Deferred outflow of resources:	
Difference between the reacquisition price and the net carrying amount of the refunded debt	\$ <u>16,890,730</u>

NOTE 17 RESTATEMENTS AND CHANGE IN ACCOUNTING PRINCIPLE

Pursuant to GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities,”* the District no longer amortizes the cost of debt issuance. These amounts should be expensed in the year they are incurred. The District made adjustments to write off the remaining unamortized bond issuance costs and reported the effect of the adjustments as the cumulative effect of change in accounting principle in the current fiscal year. The District’s beginning net position balance has been restated as follows to reflect the effect of the GASB 65 implementation:

Net position at June 30, 2012, as previously reported	\$ 125,406,424
Cumulative effect of change in accounting principle	<u>(2,901,980)</u>
Net position at June 30, 2012, as restated	\$ <u>122,504,444</u>

The retained earnings as of June 30, 2012 of Coast CCD Enterprise Corporation, one of the District’s discretely presented component units, was restated to adjust the amount of dividends declared during the fiscal year ended June 30, 2012 from \$450,000 to \$650,000.

NOTE 18 SUBSEQUENT EVENTS

The District has evaluated events subsequent to June 30, 2013 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 9, 2013, 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 (Unaudited)
Year ended June 30, 2013

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%
5/1/2012	43,568,462	99,096,647	55,528,185	43.97%	123,264,116	45.05%

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

NOTE 1 PURPOSE OF SCHEDULE

Schedule of Postemployment Healthcare Benefits Funding Progress

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

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>
Dr. Lorraine Prinsky	President	2016
Ms. Mary L. Hornbuckle	Vice President	2016
Mr. Jerry Patterson	Clerk of the Board	2016
Mr. David A. Grant	Trustee	2014
Mr. Jim Moreno	Trustee	2014
Mr. Tanner Kelley	Student Trustee	2017

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
Dr. Deborah Hirsh	Vice Chancellor, Human Resources
Dr. Andreea M. Serban	Vice Chancellor of Educational Services and Technology

Coast Community College District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

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	\$ 196,762
Direct Student Loans	84.033	N/A	7,768,500
Federal Work Study Program	84.032	N/A	460,733
Federal Pell Grant Program	84.063	N/A	38,086,524
Federal Supplement Educational Opportunity Grants (FSEOG)	84.007	N/A	695,841
Subtotal Student Financial Aid Cluster			<u>47,208,360</u>
Strengthening Institutions-Title III	84.031A	N/A	51,765
Pacific Bridge AAPI	84.031A	N/A	450,512
Subtotal direct programs			<u>47,710,637</u>
Passed through California Department of Education			
Vocational and Applied Technology Education Act, Tech Prep Consortia Project	84.048	23381	112,988
Vocational and Applied Technology Education Act, 2012-13	84.048	23373	1,164,504
Vocational and Applied Technology Education Act, Work Based Collaborative	84.048	23373	90,000
Vocational and Applied Technology Education Act, BIC-Business/CIS Education Advisory	84.048	23373	269,983
Vocational and Applied Technology Education Act, Career Development, State Advisory	84.048	N/A	38,000
Vocational and Applied Technology Education Act, CIS Business Education, State Advisory	84.048	N/A	37,994
Vocational and Applied Technology Education Act, Collaborative Career Development	84.048	23373	150,000
English Literacy and Civic Education	84.002A	(1)	17,627
ESL - 231 Grant	84.002A	(1)	61,998
Subtotal pass-through programs			<u>1,943,094</u>
Total U.S. Department of Education			<u>49,653,731</u>
U.S. Department of Justice:			
Virtual Interactive Training Simulator Project	16.753	2010-DD-BX-0416	35,540
Virtual Training for Law Enforcement	16.738	(1)	494
Total U.S. Department of Justice			<u>36,034</u>
U.S. Department of Agriculture:			
Passed-through California Department of Education:			
Child Care Food Programs	10.558	(1)	60,650
Total U.S. Department of Agriculture			<u>60,650</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	126,497
Passed-through California Department of Education:			
Child Development Federal Block Grant	93.596	13609, 13941, 13942, 14130	93,042
Passed-through Yosemite Community College District:			
Child Development Consortium	93.575	(1)	32,679
Child Development Program			22,500
Total U.S. Department of Health and Human Services			<u>274,718</u>

See accompanying notes to the supplementary information.

Coast Community College District
Schedule of Expenditures of Federal Awards (Continued)
Year ended June 30, 2013

	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:			
Workforce Investment Act, Disadvantaged Adult Title II	17.258	R865476	\$ 1,442,241
Workforce Investment Act, Dislocated Worker Title III	17.260	R865476	2,681,920
Workforce Investment Act, Recycling and Res Management	17.258/17.260	R865476	266,563
Workforce Investment Act, 15% Regional Veteran Services	17.258	R865476	146,553
Workforce Investment Act, Neg Mortgage Grant	17.260	N/A	15,683
Workforce Investment Act, Vet Employment Assistance	17.258	N/A	167,757
WIA - ITA Training Provider	17.258	N/A	9,101
Workforce Investment Act, Disadvantaged Adult OJTWEX	17.258	R865476	115,099
Subtotal Workforce Investment Act Cluster			<u>4,844,917</u>
Workforce Investment Act, Senior Community Service Employment	17.235	R865476	96,920
			<u>96,920</u>
Total U.S. Department of Labor			<u>4,941,837</u>
National Science Foundation			
Direct			
Bridge to Citizenship	97.010	N/A	68,857
Collin County CCCD State of Texas			2,333
Total Federal Program Expenditures			<u>\$ 55,038,160</u>
Student Financial Aid Student Loan Program			
Perkins Program:			
Coast Community College District outstanding loan balance as of June 30, 2013			<u>\$ 2,626,452</u>

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

See accompanying notes to the supplementary information.

**Coast Community College District
Schedule of State Financial Assistance - Grants
Year ended June 30, 2013**

Program Name	Program Revenues				Total Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total	
State Categorical Aid Programs:					
AS RN Enrollment Growth Retention	\$ 147,157	\$ 198,230	\$ -	\$ 345,387	\$ 345,387
At Risk Childrens Boating Scholarships	14,696	5,042	4,675	15,063	15,063
Basic Skills 10/11	370,345			370,345	370,345
Basic Skills 11/12	445,499		350,698	94,801	94,801
Basic Skills 12/13	444,500		444,500	-	-
Board Financial Assistance Admin. Allowance	1,386,295			1,386,295	1,386,295
Cal Works	410,310	1		410,311	410,311
Cal Works Reg Efforts Dollars	10,000			10,000	10,000
Career Tech Ed Pathways Initiative	394,279	(1)		394,278	394,278
Career Tech Ed Community Collaborative Yr 4	242,271	(30)		242,241	242,241
Career Tech Ed Community Collaborative Yr 5	365,208		211,991	153,217	153,217
Career Tech Ed Community Collaborative Yr 6	290,267		277,966	12,301	12,301
CTE Comm Collaborative Supplement	113,840			113,840	113,840
CTE Statewide Evaluation	900,000		270,692	629,308	629,308
Child Development Apportionment	90,777	30,091		120,868	120,868
Child Development Preschool Program	79,125	468		79,593	79,593
Disabled Student Programs & Service	1,760,943	(2,115)		1,758,828	1,758,828
Economic Opportunity (EOPS)	1,894,870			1,894,870	1,894,870
Employment Training Panel	5,967	42,870		48,837	48,837
EOPS-Coop Agency Resource Education	152,137	(900)		151,237	151,237
Fairview Handicapped	632,817			632,817	632,817
IDRC Digital Manufacturing Yr 1	94,289	60,124		154,413	154,413
IDRC Digital Manufacturing Pr Yr	-	26,694		26,694	26,694
Instructional Equipment / Library Matls one-time	19,391			19,391	19,391
Lottery-Restricted Materials	994,780	785,524	538,322	1,241,982	1,241,982
Matriculation	1,209,651			1,209,651	1,209,651
Matriculation-Non Credit	57,068			57,068	57,068
Mental Health Training CA Law Enforcement	4,493	63,923		68,416	68,416
Perkins Title I-B Leadership	87,020	71,875		158,895	158,895
RHORC Health Care Development	123,000	113,018		236,018	236,018
Staff Development	18,274		14,973	3,301	3,301
Staff Diversity	23,177		12,595	10,582	10,582
State OJT WEX Work Experience	181,547	74,128		255,675	255,675
Telecom & Tech Infrastructure	33,088			33,088	33,088
	<u>\$ 12,997,081</u>	<u>\$ 1,468,942</u>	<u>\$ 2,126,412</u>	<u>\$ 12,339,611</u>	<u>\$ 12,339,611</u>

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, 2013**

	Factored FTES
	Reported Data
A. Summer Intersession (Summer 2012 only)	
1. Noncredit (1)	6.98
2. Credit	948.23
B. Summer Intersession (Summer 2012 - Prior to July 1, 2012)	
1. Noncredit	-
2. Credit	-
C. Primary Terms (Exclusive of Summer Intersession)	
1. Census Procedures Courses	
(a) Weekly Census Contact Hours	21,125.15
(b) Daily Census Contact Hours	1,079.44
2. Actual Hours of Attendance Procedure Courses	
(a) Noncredit	240.85
(b) Credit	1,471.57
3. Independent Study/Work Experience	
(a) Weekly Census Contact Hours	3,976.85
(b) Daily Census Contact Hours	1,253.84
(c) Noncredit Independent Study/Distance Education Courses	-
D. Total FTES	30,102.91
Supplemental Information (subset of above information)	
E. In-Service Training Courses (FTES)	10.94
H. Basic Skills Courses and Immigrant Education	
(a) non-credit	153.41
(b) Credit	2,151.94
<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 independent auditor's report on state compliance requirements.

**Coast Community College District
Reconciliation of Annual Financial and Budget Report
With Audited Fund Balances
June 30, 2013**

	<u>Self-Insurance Fund</u>
June 30, 2013 Annual Financial and Budget Report Fund Balance (CCFS-311)	\$ 65,502,593
Adjustments and Reclassifications:	
Understatement of incurred but not reported claims liability	(2,691,558)
Removal of other postemployment benefits trust fund for financial statement presentation	<u>(47,530,243)</u>
June 30, 2013 Audited Financial Statement Fund Balances	<u>\$ 15,280,792</u>
	<u>Capital Outlay Projects Fund</u>
June 30, 2013 Annual Financial and Budget Report Fund Balance (CCFS-311)	\$ 12,609,851
Adjustments and Reclassifications:	
Additional year-end accruals	<u>(1,689,341)</u>
June 30, 2013 Audited Financial Statement Fund Balances	<u>\$ 10,920,510</u>
	<u>Revenue Bond Construction Fund</u>
June 30, 2013 Annual Financial and Budget Report Fund Balance (CCFS-311)	\$ 195,606,636
Adjustments and Reclassifications:	
Adjustment to remove prepaid interest from Revenue Bond Construction Fund. The funds were transferred to and included in Bond Interest and Redemption Fund.	<u>(14,546,146)</u>
June 30, 2013 Audited Financial Statement Fund Balances	<u>\$ 181,060,490</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 supplementary information.

Coast Community College District
Schedule of Combined General Fund Financial Trends and Analysis
June 30, 2013

General Fund:	(Budget 2014)		2013		2012		2011	
	Amount	%	Amount	%	Amount	%	Amount	%
<u>Revenue and Other Financing Sources</u>								
Federal	\$ 5,245,349	2.60%	\$ 8,300,926	4.33%	\$ 8,358,756	4.13%	\$ 9,488,549	4.59%
State	60,514,510	29.96%	56,284,236	29.36%	73,122,065	36.14%	87,639,933	42.41%
County, Local, and Other Sources	134,104,493	66.40%	140,795,051	73.44%	113,547,164	56.12%	116,581,085	56.42%
Other Financing Sources	500,000	0.25%	500,222	0.26%	3,505,598	1.73%	512,511	0.25%
Total Revenue and Other Financing Sources	<u>200,364,352</u>	<u>99.20%</u>	<u>205,880,435</u>	<u>107.39%</u>	<u>198,533,583</u>	<u>98.12%</u>	<u>214,222,078</u>	<u>103.67%</u>
<u>Expenditures and other Financing Uses</u>								
Academic Salaries	67,972,002	33.65%	70,146,461	36.59%	70,849,060	35.02%	74,796,109	36.20%
Classified Salaries	48,265,242	23.90%	47,998,365	25.04%	49,723,043	24.57%	51,725,911	25.03%
Employee Benefits	49,364,506	24.44%	48,071,188	25.08%	49,533,829	24.48%	50,048,423	24.22%
Supplies and Materials	4,889,803	2.42%	3,289,574	1.72%	2,884,736	1.43%	3,623,844	1.75%
Other Operating Expenses and Services	27,771,059	13.75%	18,688,967	9.75%	19,282,787	9.53%	18,567,719	8.99%
Capital Outlay	2,716,087	1.34%	2,146,951	1.12%	2,103,833	1.04%	2,856,037	1.38%
Other Uses	1,000,070	0.50%	1,362,624	0.71%	988,581	0.49%	1,133,525	0.55%
Interfund Transfers Out	-	0.00%	-	0.00%	6,973,126	3.45%	3,879,582	1.88%
Total Expenditures and Other Financing Uses	<u>\$ 201,978,769</u>	<u>100%</u>	<u>191,704,130</u>	<u>100.00%</u>	<u>202,338,995</u>	<u>100.00%</u>	<u>206,631,150</u>	<u>100.00%</u>
Change in Fund Balances	<u>\$ (1,614,417)</u>	<u>-0.80%</u>	<u>14,176,305</u>	<u>7.39%</u>	<u>(3,805,412)</u>	<u>-1.88%</u>	<u>7,590,928</u>	<u>3.67%</u>
Ending Fund Balance	<u>\$ 36,045,666</u>	<u>17.85%</u>	<u>37,660,083</u>	<u>19.64%</u>	<u>23,483,778</u>	<u>11.61%</u>	<u>27,289,190</u>	<u>13.21%</u>
Available Reserve Balance	<u>\$ 33,317,666</u>	<u>16.50%</u>	<u>34,896,710</u>	<u>18.20%</u>	<u>20,946,164</u>	<u>10.35%</u>	<u>24,728,036</u>	<u>11.97%</u>
Full-time Equivalent Students	<u>32,358</u>		<u>30,103</u>		<u>33,772</u>		<u>35,349</u>	
Total Long-Term Debt	<u>\$ 605,895,435</u>		<u>\$ 620,226,322</u>		<u>\$ 391,249,281</u>		<u>\$ 387,934,699</u>	

See accompanying notes to supplementary information.

Coast Community College District
Schedule of Budgetary Comparison for the Combined General Fund
June 30, 2013

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Revenue from Federal Sources			
Higher Education Act	\$ 1,771,089	\$ 1,159,773	\$ (611,316)
Workforce Investment Act	6,991,290	4,941,836	(2,049,454)
Temporary Assistance for Needy Families (TANF)	126,497	126,497	-
Vocational and Technical Education Act	1,921,536	1,863,469	(58,067)
Other Federal Revenue	490,044	209,351	(280,693)
Revenue from State Sources			
General Apportionments	33,434,110	12,413,139	(21,020,971)
Categorical Apportionments	1,172,253	1,206,205	33,952
Other State Revenues	45,077,783	42,664,892	(2,412,891)
Revenue from Local Sources			
Property Taxes	86,413,029	110,124,758	23,711,729
Interest and Investment Income	180,000	131,882	(48,118)
Student Fees and Charges	24,772,993	23,916,156	(856,837)
Other Local Revenue	6,340,095	7,122,477	782,382
TOTAL REVENUES	<u>208,690,719</u>	<u>205,880,435</u>	<u>(2,810,284)</u>
EXPENDITURES			
Academic Salaries	70,069,281	70,146,461	(77,180)
Classified Salaries	48,534,741	47,998,365	536,376
Employee Benefits	48,642,441	48,071,188	571,253
Supplies and Materials	5,591,270	3,289,574	2,301,696
Other Operating Expenses and Services	27,569,601	18,688,967	8,880,634
Capital Outlay	2,640,798	2,146,951	493,847
Other Uses	3,145,617	1,362,624	1,782,993
TOTAL EXPENDITURES	<u>206,193,749</u>	<u>191,704,130</u>	<u>14,489,619</u>
Excess (deficiency) of revenues over expenditures	\$ <u>2,496,970</u>	14,176,305	\$ <u>11,679,335</u>
Fund Balances at Beginning of Year		<u>23,483,778</u>	
Fund Balances at End of Year		\$ <u>37,660,083</u>	

See accompanying notes to 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, 2013 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Coast Community College District (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

We noted certain other matters that we reported to management of the District in a separate letter dated December 9, 2013.

Purpose of this Report

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

Handwritten signature in cursive script that reads "Vargas + Company LLP".

Los Angeles, California
December 9, 2013

Report of Independent Auditors on Compliance for Each Major Federal Programs and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Coast Community College District (the "District") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, 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, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items F2013-01 through F2013-08. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

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

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



Los Angeles, California
December 9, 2013

Independent Accountants' Report on State Compliance Requirements

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

We have examined the compliance by the Coast Community College District (the District) with the following state laws and regulations for the year ended June 30, 2013 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 Funding System (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)
- 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 and Other Materials (437)
- Student Fees – Health Fees and Use of Health Fee Funds (438)
- Extended Opportunity Programs and Services and Cooperative Agencies Resources for Education (CARE) (474)
- Disabled Students Programs and Services (475)
- To Be Arranged Hours (479)
- Proposition 1D State Bond Funded Projects (490)
- Education Protection Account (491)

Compliance with the requirements referred to above is the responsibility of the District's management. 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 the specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2013.

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
December 9, 2013

Section I – Summary of Auditors’ Results

Financial Statements

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

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: Unmodified

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	Student Financial Assistance Cluster of Programs

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

Auditee qualified as a low-risk auditee under Section 0.530 of OMB Circular A-133: Yes

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings

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

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>	N/A

Criteria or Requirement:

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

(a) *General.* (1) The Secretary considers excess cash to be any amount of title IV, HEA program funds, other than Federal Perkins Loan Program funds, that an institution does not disburse to students or parents by the end of the third business day following the date the institution—

(i) Received those funds from the Secretary; or

(ii) Deposited or transferred to its Federal account previously disbursed title IV, HEA program funds received from the Secretary, such as those resulting from award adjustments, recoveries, or cancellations.

(2) The provisions of this section do not apply to the title IV, HEA program funds that an institution receives from the Secretary under the just-in-time payment method.

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

Condition Found

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

Questioned Cost

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

Possible Asserted Cause and Effect

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

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

In April 2013 the District began changing the procedure in which financial aid awards are posted, funded and paid to students. The District implemented the student accounts whereby the award is posted on the student's accounts and the information is fed through Banner software. The accounting office then will see the expense post and draw the funds down accordingly. Prior to this time, the process was to drawdown funds based on estimated payouts to students. The amount was later adjusted to the actual payouts to students. This led to the District holding cash in excess of 3 business days. In one case, in April, the G5 system was not operational and we could not return funds through their online system. This was not the fault of the District. The new procedures were finalized and fully implemented as of June 25, 2013. This will eliminate any over estimation of funding and any excess cash.

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

Federal Program Information

Federal Catalog Number:

84.063

Federal Program Name:

Student Financial Assistance Cluster: Federal
Pell Grant Program

Federal Agency:

U.S. Department of Education

Pass-Through Entity:

N/A

Campus:

Orange Coast College

Criteria or Requirement:

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

§ 668.22(a)(6)(ii)(B)(1)

The institution must disburse directly to a student any amount of a post-withdrawal disbursement of grant funds that is not credited to the student's account. The institution must make the disbursement as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew, as defined in paragraph (1)(3) of this section.

Condition:

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

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

Questioned Cost

Total questioned cost was \$2,650.

Possible Asserted Cause and Effect

There appear to be insufficient monitoring controls in place over payment of post-withdrawal disbursements.

Recommendation

We recommend that the District implement stricter controls to ensure that payments of post-withdrawal disbursements are made correctly and timely.

Views of Responsible Officials and Planned Corrective Actions

The District has consolidated fiscal and financial aid processing. During this consolidation, multiple controls have been put into place that allow the accurate determination of withdrawal dates from the student data base to the financial aid management system. Training has been provided for both accounting technicians regarding post-withdrawal disbursements and the new fiscal accounting structure for financial aid.

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

Federal Program Information

Federal Catalog Number:

84.063

Federal Program Name:

Student Financial Assistance Cluster: Federal Pell Grant Program

Federal Agency:

U.S. Department of Education

Pass-Through Entity:

N/A

Campus:

Orange Coast College

Criteria or Requirement:

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

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

(e) Calculation of the amount of title IV assistance earned by the student—(1) *General.* The amount of title IV grant or loan assistance that is earned by the student is calculated by:

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

Condition:

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

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

Questioned Cost

Total questioned cost was \$889.

Possible Asserted Cause and Effect

There appear to be insufficient monitoring controls in place over calculation of R2T4.

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

The District has consolidated fiscal and financial aid processing. During this consolidation, multiple controls have been put into place that allow the accurate determination of withdrawal dates from the student data base to the financial aid management system. Training has been provided for both accounting technicians regarding post-withdrawal disbursements and the new fiscal accounting structure for financial aid.

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

Federal Program Information

Federal Catalog Number:

84.063

Federal Program Name:

Student Financial Assistance Cluster: Federal Pell Grant Program

Federal Agency:

U.S. Department of Education

Pass-Through Entity:

N/A

Campus:

Orange Coast College

Criteria or Requirement

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

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

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

Condition

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

Questioned Cost

Not applicable.

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

The District has consolidated fiscal and financial aid processing. During this consolidation, multiple controls have been put into place that allow the accurate determination of withdrawal dates from the student data base to the financial aid management system. Training has been provided for both accounting technicians regarding post-withdrawal disbursements and the new fiscal accounting structure for financial aid.

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

Federal Program Information

Federal Catalog Number:

84.033

Federal Program Name:

Student Financial Assistance Cluster: Federal Direct Loan Program

Federal Agency:

U.S. Department of Education

Pass-Through Entity:

N/A

Campus:

Orange Coast College, Coastline College and Golden West College

Criteria or Requirement

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

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

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

Condition:

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

Orange Coast

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

Golden West

- In 2 out of the 5 students tested from Golden West (GWC), the enrollment status changes were not reported to NSLDS.
- The effective dates of the enrollment status changes of 1 out of 5 students tested from GWC was incorrectly reported to NSLDS.

Coastline

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

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

Questioned Cost

Not applicable.

Possible Asserted Cause and Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

The District has consolidated fiscal and financial aid processing. During this consolidation, multiple controls have been put into place that allow the accurate determination of withdrawal and enrollment dates from the student data base to the financial aid management system. Training has been provided for both accounting technicians regarding post-withdrawal disbursements and the new fiscal accounting structure for financial aid.

Starting for the 13-14 academic year and onward, all Clearing House reporting is now a District responsibility. It has been assigned to a District Administrator who is responsible for all Clearing House reporting for the 3 campuses. We hope that this will insure reporting is done in a timely manner and allows for more efficient reporting.

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

Federal Program Information

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

Criteria or Requirement

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

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

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

Condition Found

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

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

Questioned Costs

Not applicable

Possible Asserted Cause and Effect

Adequate monitoring controls do not appear to be in place to ensure that the information is being reported correctly to the Department of Education.

Recommendation

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

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

Views of Responsible Officials and Planned Corrective Actions

The District has consolidated fiscal and financial aid processing. During this consolidation, multiple controls have been put into place that allow the accurate determination of withdrawal dates from the student data base to the financial aid management system. Training has been provided for both accounting technicians regarding post-withdrawal disbursements and the new fiscal accounting structure for financial aid.

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

Federal Program Information

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

Criteria or Requirement

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

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

Condition Found

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

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

Questioned Costs

Not applicable

Possible Asserted Cause and Effect

Adequate monitoring controls do not appear to be in place to ensure that the information is being reported timely to the Department of Education.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

The District has consolidated fiscal and financial aid processing. During this consolidation, multiple controls have been put into place that allow the accurate determination of withdrawal dates from the student data base to the financial aid management system. Training has been provided for both accounting technicians regarding post-withdrawal disbursements and the new fiscal accounting structure for financial aid. Further, Direct Loan Tools is now in use in conjunction with the financial aid management system and the student data base system.

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

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>	Orange Coast College

Criteria or Requirement

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

§ 668.22(h)(4)(iv)

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

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

Condition Found

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

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

Questioned Costs

Not applicable

Possible Asserted Cause and Effect

Adequate monitoring controls do not appear to be in place to ensure that overpayments are reported timely to the Department of Education.

Recommendation

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

**Coast Community College District
Schedule of Findings and Questioned Costs
Year ended June 30, 2013**

Views of Responsible Officials and Planned Corrective Actions

The overpayments not reported to NSLDS were an institutional error and cannot be reported to NSLDS. The three overpayments found in spring were student errors in which the student submitted a subsequent ISIR after the payment.

Section IV – State Award and Compliance Finding

None reported.

**Coast Community College District
Status of Prior Year Findings and Questioned Costs
Year ended June 30, 2013**

Federal Award Findings

Finding Reference	Finding Description	Recommendation	Current Status
F2012-01	Excess Cash - During our testing of the District's compliance with the cash management requirements, we noted that 3 out of 25 drawdowns sampled resulted in the District carrying cash in excess of the 1% tolerance after 3 business days from receipt of funds from Department of Education. The excess cash was carried by the District for 4 to 31 days.	We recommend that the District implement stricter controls to ensure compliance with the requirement for timely return of Title IV funds.	Not Implemented. See Finding 2013-01.
F2011-02	Incorrect Calculation of Return of Title IV Funds - During our testing of the District's compliance with the Return of Title IV (R2T4) funds, we noted that the calculation of amount of funds to be returned to the Department of Education was incorrect for the following samples selected from Orange Coast College.	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.	Partially Implemented. See Finding 2013-03.

**Coast Community College District
Status of Prior Year Findings and Questioned Costs
Year ended June 30, 2013**

Finding Reference	Finding Description	Recommendation	Current Status
F2012-03	Timely Return of Title IV School Portion to the Department of Education - During our testing of the timeliness of return of Title IV school portion to the Department of Education, we noted that in 4 out of 13 samples selected from Orange Coast College, the school portion was not returned to the Department of Education nor deposited to the PELL Disbursement account within the required time frame of 45 days. The funds were returned 68-230 days after the District determined that the student withdrew. In addition, in 2 out of 10 samples selected from Golden West College the school portion was not returned to the Department of Education nor deposited to the PELL Disbursement account within the required time frame of 45 days. The funds were returned 160-309 days after the institution determined that the student withdrew.	We recommend that the District implement stricter controls to ensure compliance with the requirement for timely return of Title IV funds.	Not Implemented – See Finding 2013-04
F2012-04	Late and Inaccurate reporting of enrollment status information to the National student Loan Data System - During our testing of compliance with the enrollment reporting requirements we noted that 1 out of 10 students tested from Orange Coast College (OCC) was reported to NSLDS 7 days late. We also noted, based on our review of the transmission history from OCC that the reporting for graduates was done 4 months from the last day of Fall which was December 18, 2011. Enrollment status	We recommend that the District implement stricter controls to ensure compliance with the requirement for reporting to NSLDS.	Not Implemented – See Finding F2013-05

**Coast Community College District
Status of Prior Year Findings and Questioned Costs
Year ended June 30, 2013**

Finding Reference	Finding Description	Recommendation	Current Status
	<p>reporting should be made within 60 days. The status changes involving 2 out of 10 students tested from Golden West College (GWC) were not reported timely to NSLDS. They were reported 19-45 days late. In addition, in 1 out of the 10 students' status changes tested from GWC, the enrollment status reported was incorrect. The student graduated but was reported as withdrawn. Based on our review of school transmission history from GWC, we also noted that one enrollment status report was submitted by the school in the Fall of 2011 which was 97 days from the previous reporting date. Enrollment status reporting should be made within 60 days. In 1 out of 5 students tested from Coastline College (CCC), the enrollment status was incorrect. The student withdrew from all her classes but was reported as half-time. The enrollment status involving 1 out of 5 students tested from CCC was not timely reported to NSLDS (1 day late).</p>		
F2012-05	<p>Reporting of Actual Disbursement Dates - During our testing of compliance with the reporting requirements for direct loans, we noted that in 4 out of 5 samples tested from Coastline College, the disbursement dates reported to Department of Education Common Origination and Disbursement (COD) were different from the actual dates of disbursement.</p>	<p>We recommend that the District implement stricter controls to ensure compliance with the reporting requirements.</p>	<p>Partially Implemented – See Finding F2013-06</p>

**Coast Community College District
Status of Prior Year Findings and Questioned Costs
Year ended June 30, 2013**

Finding Reference	Finding Description	Recommendation	Current Status
F2012-06	Allowable Cost Principles, Time and Effort Documentation - During our testing of payroll expenditures charged to program we noted that 1 out of 20 employees tested did not have time and effort documentation to support payroll charged to the program.	We recommend that the District implement stricter controls to ensure compliance with the allowable cost principles and time and effort documentation requirement. We also recommend that program administrators attend trainings to make sure that they are aware of all the program compliance requirements.	Implemented
F2012-07	Cost Sharing Agreement - During our audit of compliance with the reporting requirements, we noted that the Cost Sharing Agreement was submitted by Coastline College to OCWIB on October 31, 2011.	We recommend that the District implement stricter controls to ensure compliance with the reporting requirements.	Not Implemented. This program was closed at the beginning of the FY 12-13.
F2012-08	Internal Monitoring - During our audit of CCCD's compliance with the internal monitoring requirements, we noted that WIA Northern Region monitored less than 10% of all active caseloads for both WIA Disadvantaged Adult and WIA Dislocated Workers programs for 4 out of 4 months tested. In addition, WIA Southern Region Dislocated Worker monitored less than 10% of all active caseloads for 4 out of 4 months tested. Furthermore, WIA Southern Region Disadvantaged Adult monitored less than 10% of all active caseloads for 3 out of 4 months tested.	We recommend that the District implement stricter controls to ensure compliance with the internal monitoring requirements.	Implemented

CONTINUING DISCLOSURE INFORMATION

**Coast Community College District
Continuing Disclosure Information (Unaudited)
Year ended June 30, 2013**

Largest 2012-13 Local Secured Taxpayers

Property Owner	Primary Land Use	2012-13 Assessed Valuation	% of Total (1)
1 The Irvine Company	Commercial	\$ 1,901,689,626	1.94
2 Oxy USA Inc.	Oil & Gas	552,425,012	0.56
3 South Coast Plaza	Commercial	308,728,714	0.31
4 Rreef America REIT II Corp. CCCC2	Commercial	253,837,105	0.26
5 United Dominion Realty LP	Apartments	205,440,279	0.21
6 Bella Terra Associates LLC	Commercial	202,701,235	0.21
7 Mayer Financial, LP	Commercial	201,668,474	0.21
8 Oxy Long Beach Inc.	Oil & Gas	178,666,923	0.18
9 McDonnell Douglas Corp.	Industrial	173,356,682	0.18
10 JKS-CMFV LLC	Commercial	166,310,608	0.17
11 CIM/Huntington LLC	Commercial	150,254,768	0.15
12 Marjack LLC	Apartments	144,818,178	0.15
13 Interinsurance Exchange of the Automobile Club of America	Commercial	131,773,092	0.13
14 Retail Property Trust	Commercial	123,636,889	0.13
15 UDR Newport Beach North LP	Apartments	122,475,352	0.12
16 Casden Lakes LP	Apartments	119,562,407	0.12
17 Coronado South Apartments LP	Apartments	117,559,664	0.12
18 Newport Healthcare Center LLC	Commercial	109,397,294	0.11
19 Balboa Bay Club, Inc.	Commercial	99,521,400	0.10
20 100 Bayview LLC	Commercial	96,905,763	0.10
		<u>\$ 5,360,729,465</u>	<u>5.46</u>

(1) 2012-13 Local Secured Assessed Valuation: \$98,150,254,413

