

**Coast Community College District  
Financial Statements and  
Supplementary Information  
*Year ended June 30, 2012*  
*with Report of Independent Auditors*  
*Including Reports on Compliance***

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## REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying basic financial statements of the Coast Community College District (the "District"), as of and for the year ended June 30, 2012 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the Coast Community College District as of June 30, 2012, and the results of its operations, changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2012 on our consideration of the Coast Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of postemployment healthcare benefits funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the basic information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

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

*Vergara + Company LLP*

**Los Angeles, California**  
**December 5, 2012**

## **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, 2012. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

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

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

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

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

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

### **Financial and Enrollment Highlights**

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

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

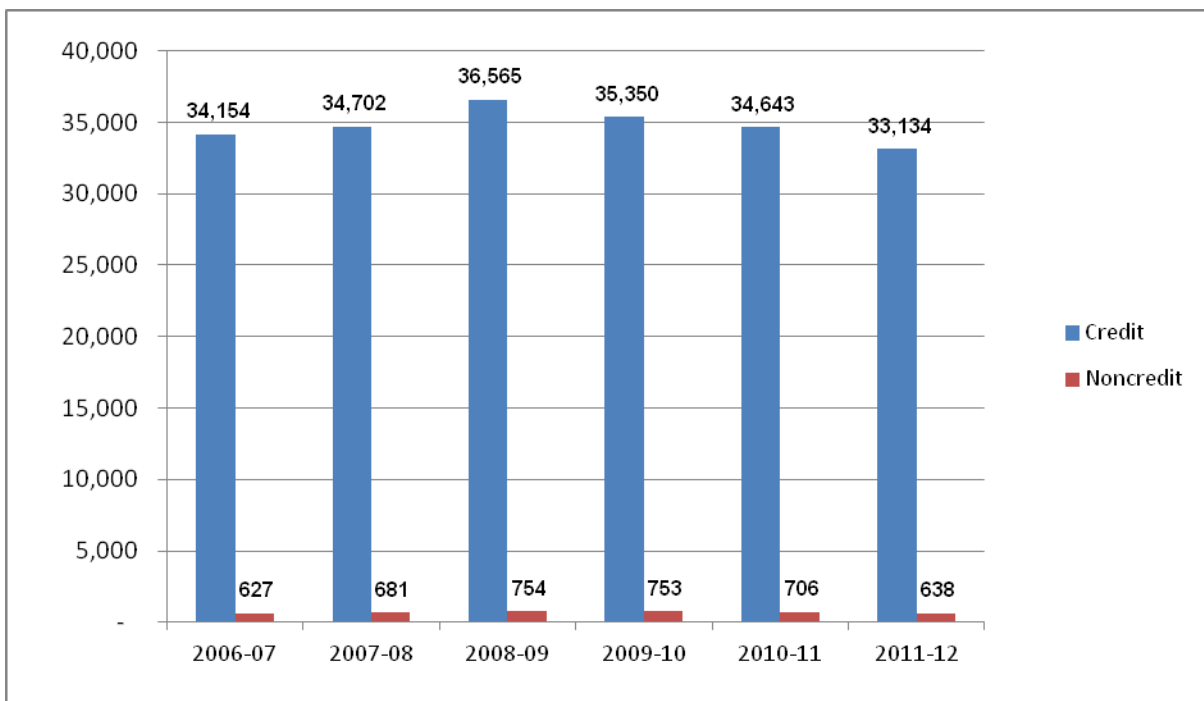
**Coast Community College District  
Management's Discussion and Analysis  
Year ended June 30, 2012**

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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. Additional funds from interest and a refunding are also available. As of June 30, 2012, approximately \$395 million have been spent with approximately \$11 million remaining. There are currently only 2 major projects to complete. Although construction costs have risen far above initial projections, the District is making significant progress in its facility master plans.

Full-time Equivalent Students (FTES) is the workload measures used to calculate the state general apportionment. Enrollments at our three colleges decreased in 2011-12 by 4.46% from the prior year to reduce unfunded FTES. This is lower than the targeted reduction in workload measures from the State Chancellor's office of 6.15%.

Annual Enrollment  
Full-Time Equivalent Students (FTES)



**Coast Community College District  
Management's Discussion and Analysis  
Year ended June 30, 2012**

**Statement of Net Assets**

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

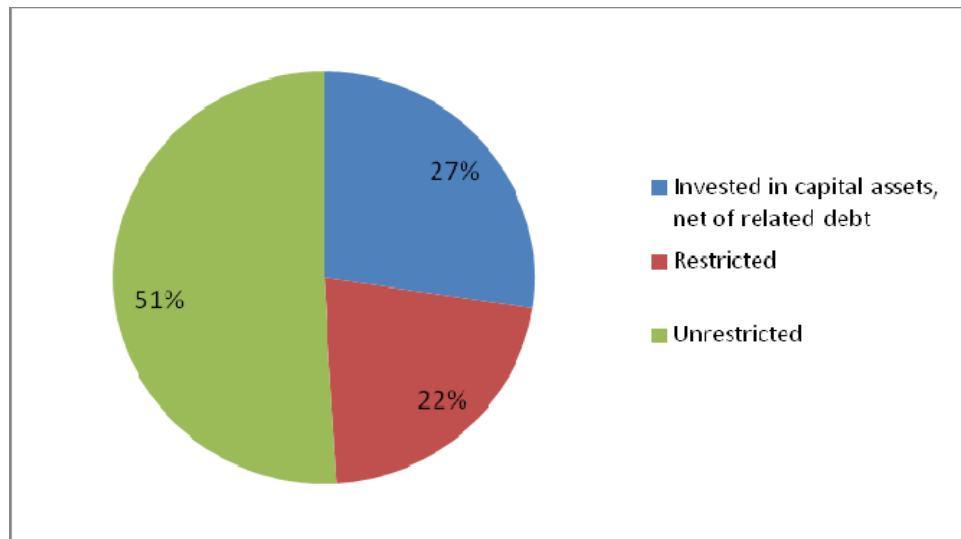
	<u>2012</u>	<u>2011</u>	<u>Change</u>
	(In Thousands)		
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 58,765	\$ 87,371	-33%
Accounts receivable, net	29,064	25,333	15%
Due from component units	-	53	-100%
Notes receivable - current portion	500	500	0%
Inventories	55	51	7%
Prepaid expenses	221	1,390	-84%
Total current assets	<u>88,605</u>	<u>114,698</u>	-23%
<b>Noncurrent assets</b>			
Restricted cash and cash equivalents	17,573	16,611	6%
Student loans receivable	2,899	3,136	-8%
Notes receivable - noncurrent portion	15,625	16,125	-3%
Issue costs, net of accumulated amortization	2,902	3,022	-4%
Other postemployment benefit asset	10,532	11,395	-8%
Capital assets, net of accumulated depreciation	403,627	402,494	0%
Total noncurrent assets	<u>453,158</u>	<u>452,783</u>	0%
<b>Total assets</b>	<u>541,763</u>	<u>567,481</u>	-5%
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	16,489	20,773	-21%
Deferred revenue	5,482	6,229	-12%
Due to fiduciary funds	353	125	182%
Due to component units	-	86	-100%
Compensated absences	741	741	0%
General obligation bond payable - current portion	10,888	9,768	11%
Capital leases - current portion	147	141	5%
Total current liabilities	<u>34,100</u>	<u>37,864</u>	-10%
<b>Noncurrent liabilities</b>			
Compensated absences	4,413	2,570	72%
Estimated liability for open claims and IBNR's	2,784	2,486	12%
Capital leases	753	900	-16%
General obligation bond payable - noncurrent portion	374,306	373,814	0%
Total noncurrent liabilities	<u>382,256</u>	<u>379,771</u>	1%
<b>Total liabilities</b>	<u>416,357</u>	<u>417,634</u>	0%
<b>Net assets</b>			
Invested in capital assets, net of related debt	34,300	61,298	-44%
Restricted	27,196	28,367	-4%
Unrestricted	63,910	60,182	6%
<b>Total net assets</b>	<u>\$ 125,406</u>	<u>\$ 149,847</u>	-16%

**Coast Community College District  
Management's Discussion and Analysis  
Year ended June 30, 2012**

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- Cash and cash equivalents consists mainly of cash held in the county treasury (\$62.3 million) and ancillary funds maintained at local banks. Cash decreased significantly from the prior year due primarily to spending the general obligation bond (GO Bond) funds on approved projects. At June 30, 2012, the building fund had a cash balance of \$10.95 million.
- The large decrease in prepaid expenses was the result of 2 invoices for July 2011 medical insurance being erroneously paid one week early in June 2011. This did not happen in June 2012.
- 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 liability in the next 15-20 years. The decrease was the excess of annual OPEB cost over contributions made during the fiscal year.
- The increase in compensated absences is a result of the successful negotiation for the Classified Union's carryover of 1 1/2 years worth of vacation hours.
- The total assets showed a decrease of 5% while total liabilities showed an insignificant change. Despite the payment of debt maturing during the year, additional debt was recorded for interest accrued on capital appreciation bonds. Net assets show a decrease of 16% from the prior year. Total operating expenses increased by \$7.6 million or 6% while nonoperating revenues decreased, particularly non-capital state apportionments (\$15.1 million) and local property taxes (\$3.6 million). The District remains stable despite the challenging state budget issues.

**Net Assets  
June 30, 2012**





**Coast Community College District  
Management's Discussion and Analysis  
Year ended June 30, 2012**

**Statement of Revenues, Expenses and Changes in Net Assets**

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

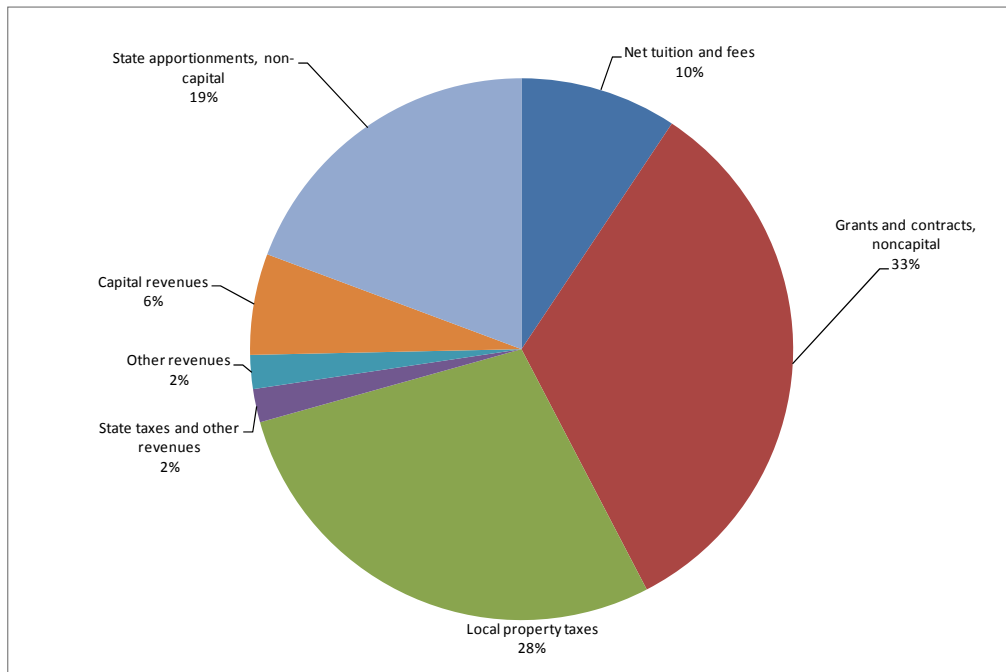
	<u>2012</u>	<u>2011</u>	<u>Change</u>
	(In Thousands)		
<b>Operating revenues</b>			
Net tuition and fees	\$ 27,419	\$ 27,076	1%
Grants and contracts, noncapital	97,020	88,413	10%
Auxiliary sales and charges	5,215	4,932	6%
<b>Total operating revenues</b>	<u>129,654</u>	<u>120,422</u>	8%
<b>Operating expenses</b>			
Salaries and benefits	182,575	180,683	1%
Supplies, materials, and other operating expenses and services	38,298	42,141	-9%
Financial aid	58,288	49,660	17%
Utilities	4,074	3,999	2%
Depreciation	16,509	15,607	6%
<b>Total operating expenses</b>	<u>299,745</u>	<u>292,091</u>	3%
<b>Operating income (loss)</b>	<u>(170,091)</u>	<u>(171,669)</u>	
<b>Nonoperating revenues (expenses)</b>			
State apportionments, non-capital	56,688	71,810	-21%
Local property taxes	83,027	86,655	-4%
State taxes and other revenues	5,863	6,171	-5%
Investment income - non-capital	383	474	-19%
Interest expense on capital asset-related debt	(18,357)	(18,160)	1%
Other non-operating revenues	290	608	-52%
Transfers to fiduciary funds	(666)	-	-100%
Gain (loss) on disposal of capital assets	717	480	49%
<b>Net nonoperating revenues (expenses)</b>	<u>127,944</u>	<u>148,039</u>	-14%
<b>Other revenues, expenses, gains or losses</b>			
State appointments, capital	-	3,670	-100%
Local property taxes and revenues, capital	17,706	17,651	0%
Investment income - capital	-	309	-100%
<b>Total other revenues, expenses, gains or losses</b>	<u>17,706</u>	<u>21,630</u>	-18%
<b>Change in net assets</b>	(24,440)	(2,000)	1122%
<b>Net assets, beginning of year, as restated</b>	<u>149,847</u>	<u>151,846</u>	-1%
<b>Net assets, end of year</b>	<u>\$ 125,406</u>	<u>\$ 149,847</u>	-16%

**Coast Community College District  
Management's Discussion and Analysis  
Year ended June 30, 2012**

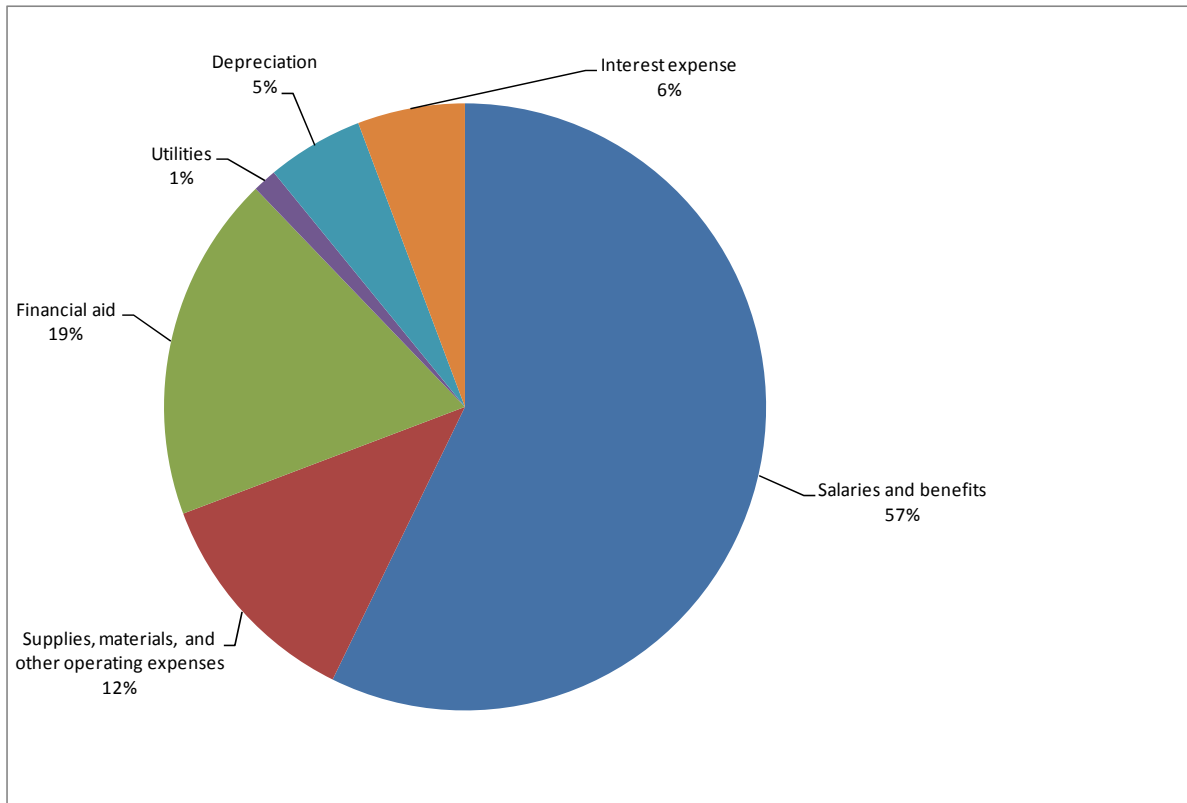
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- Net tuition and fees consists of enrollment fees (\$29.5 million), non-resident tuition (\$7.0 million), and other fees (\$7.0 million) less scholarships, discounts and allowances (\$16.1 million). Regular enrollment fees (\$36 per unit) are set by the State for all community colleges and increased \$10 per unit from the prior year. Although the fees increased, there were fewer FTES and more scholarships which resulted in slightly lower revenues.
- Revenue from grants and contracts is composed of federal grants (\$61.6 million), state grants (\$12.6 million), and local contracts (\$22.8 million). The increase is due mainly to federal financial aid provided for students and is also reflected in the increased financial aid operating expenses.
- The increase in salary and benefit expenses reflects the additional accrual for compensated absences.
- 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 (\$15.1 million) because of a base apportionment deficit of \$10 million and reduction in actual FTES by 4.46%.
- The capital state apportionments decreased as a state funded construction project at Orange Coast College was completed and final funding received.

**Revenues  
Year ended June 30, 2012**



**Expenses**  
**Year ended June 30, 2012**



**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.

	<b>2012</b>	<b>2011</b>	<b>Change</b>
	(In Thousands)		
Cash provided by (used in)			
Operating activities	\$ (157,387)	\$ (163,962)	-4%
Noncapital financing activities	145,009	165,446	-12%
Capital and related financing activities	(16,149)	(31,067)	-48%
Investing activities	883	1,283	
Net decrease in cash and cash equivalents	(27,644)	(28,300)	-2%
 Cash balance, beginning of year	 103,982	 132,282	 -21%
 Cash balance, end of year	 \$ 76,339	 \$ 103,982	 -27%

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

**District's Fiduciary Responsibility**

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

**Capital Asset and Debt Administration**

Capital Assets

As of June 30, 2012, the District had over \$403 million invested in net capital assets. Total capital assets of \$620 million consist of land, buildings and building improvements, vehicles, data processing equipment and other office equipment; these assets have accumulated depreciation of \$217 million. New additions for construction and equipment of \$17.6 million occurred during 2011/2012, and depreciation expense of \$16.5 million was recorded for the fiscal year. In addition, \$3.2 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:

	<b><u>Balance June 30, 2012</u></b>
Land	\$ 24,141,969
Buildings and site improvements	504,641,676
Equipment	33,732,385
Construction in progress	57,809,269
Total at historical cost	<u>620,325,299</u>
Less accumulated depreciation for:	
Buildings and site improvements	(187,584,341)
Equipment	(29,114,333)
Total accumulated depreciation	<u>(216,698,674)</u>
Capital assets, net	<u>\$ 403,626,625</u>

## Debt

At June 30, 2012, the District had \$385 million in debt for the general obligation bonds. The payments for general obligation bond debt are funded through property tax assessments. Notes 9 and 10 to the financial statements provide additional information on long-term liabilities.

## **Economic Factors That May Affect the Future**

### State Economy

- The economic position of Coast Community College District is closely tied to that of the State of California. The District received 35% of its general fund revenue through State apportionments and 42% from local property taxes for the 2011/2012 fiscal year. These two sources along with enrollment fees make up the District's general apportionment, the main source of funding for California community colleges. General apportionment funding is calculated on a base allocation and the District's Full Time Equivalent Students (FTES).
- The federal and state economies have yet to show significant recovery from the economic downturn. The fall off in state income tax, property tax and sales tax have caused a multibillion-dollar state deficit. While the state balanced the current year budget, it included inflated revenue projections and mid-year budget cuts are anticipated. Reserves have been set aside by the District to mitigate the effect of these cuts.

### CCCD Budget

- The governor's 2012/2013 budget for community colleges contained 0% for cost of living adjustment and an estimated \$9.2 billion statewide deficit and workload reduction of 7.3% of FTES. The recent passage of the tax measure will result in a combination of deferral buy-down and restoration funding. The budget was balanced with reduced staffing by encouraging separation and not filling vacancies. Many of these job functions are being absorbed by other staff or services are being reduced. Critical positions are being replaced as funds become available. The categorical programs continue to be funded at the much lower 2008/2009 level. The District guaranteed funding of full-time positions that the programs could no longer afford in the amount of \$654,126. The Final Budget reflects a balanced set of revenues and expenses, many of the solutions identified are one-time or limited term duration. In prior years, Coast has maintained a 6.5% reserve for contingency, this year that reserve was reduced to 5.5% to help bolster the "Rainy Day Fund".
- Salaries and benefits continue to comprise the largest portion of the District's expenses. In 2011/2012, 89.9% of the unrestricted funds were spent on salaries and benefits. The District offered incentives for employees to separate from the District. Fifty-four employees took advantage of the programs. There were an additional 73 vacancies of which only critical positions were replaced. The 2012/2013 budget also does not include any salary increases for staff and a 3% furlough for both classified and management personnel.
- Health and welfare benefit costs continue to increase each year. The 2012/2013 budget includes an increase of \$140 per employee which represents a 0.98% increase from the 2011/2012 budget. The employee contributions have remained unchanged.

- Because of the budget crisis, retiree health benefits are being funded at a reduced level for the normal cost for current employees. Current contributions are held in the County treasury throughout the year for cash flow purposes. The following year funds are transferred to an irrevocable trust and invested through the Community College League JPA.

#### Significant Future Events

While the Final Budget reflects a balanced set of revenues and expenses, many of the solutions identified are one-time or of limited duration. The result will be that approximately \$4 million of these solutions will expire this year and the associated financial challenges will re-emerge next year.

#### Contacting the District's Financial Management

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

**Coast Community College District**  
**Statement of Net Assets**  
**June 30, 2012**

	<b>Primary Government</b>	<b>Component Units</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 58,765,446	\$ 5,324,841
Investments	-	17,682,961
Accounts receivable, net	29,063,614	737,415
Note receivable - current portion	500,000	-
Inventories	55,279	-
Prepaid expenses and other current assets	220,789	139,729
Total current assets	88,605,128	23,884,946
<b>Noncurrent assets</b>		
Restricted cash and cash equivalents	17,573,235	-
Student loans receivable	2,898,960	-
Note receivable - noncurrent portion	15,625,000	-
Issue costs, net of accumulated amortization	2,901,979	-
Other postemployment benefit asset	10,532,396	-
Capital assets, net of accumulated depreciation	403,626,625	4,220,894
Total noncurrent assets	453,158,195	4,220,894
<b>Total assets</b>	<b>\$ 541,763,323</b>	<b>\$ 28,105,840</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 4,744,813	\$ 632,399
Accrued liabilities	11,744,165	59,655
Deferred revenue	5,481,898	444,491
Due to District	-	48,481
Due to fiduciary funds	352,581	-
Amounts held in trust for others	-	15,288
Dividends payable	-	275,000
Compensated absences	741,457	-
General obligation bond payable - current portion	10,888,254	-
Capital leases - current portion	147,289	-
Total current liabilities	34,100,458	1,475,314
<b>Noncurrent liabilities</b>		
Compensated absences	4,413,456	-
Deferred tax liability	-	41,000
Estimated liability for open claims and IBNR's	2,784,161	-
Capital leases	752,765	-
General obligation bond payable - noncurrent portion	374,306,059	-
Total noncurrent liabilities	382,256,441	41,000
<b>Total liabilities</b>	<b>416,356,899</b>	<b>1,516,314</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	34,300,286	-
Permanently restricted	-	5,160,105
Temporarily restricted	-	18,452,877
Restricted for:		
Programs	292,004	-
Scholarships and loans	3,558,591	-
Capital projects	6,427,752	-
Debt service	16,917,936	-
Unrestricted	63,909,855	2,026,251
Retained earnings	-	950,135
<b>Total net assets</b>	<b>125,406,424</b>	<b>26,589,368</b>
<b>STOCKHOLDERS' EQUITY - COMMON STOCK</b>	<b>-</b>	<b>158</b>
<b>Total liabilities, net assets and stockholders' equity</b>	<b>\$ 541,763,323</b>	<b>\$ 28,105,840</b>

*See notes to financial statements.*



**Coast Community College District**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year ended June 30, 2012**

	<b>Primary Government</b>	<b>Component Units</b>
<b>Operating revenues</b>		
Enrollment, tuition and fees - gross	\$ 43,533,940	\$ -
Less scholarship discounts and allowance	(16,115,096)	-
Net tuition and fees	27,418,844	-
Grants and contracts, non-capital:		
Federal	61,600,739	-
State	12,645,161	-
Local	22,773,766	7,495,623
Auxiliary enterprise sales and charges	5,215,062	6,089,440
<b>Total operating revenues</b>	129,653,572	13,585,063
<b>Operating expenses</b>		
Salaries	138,489,624	1,237,119
Employee benefits	43,603,601	331,108
Supplies, materials, and other operating expenses and services	38,298,139	9,672,450
Financial aid	58,769,542	-
Utilities	4,074,473	-
Depreciation	16,509,253	624,295
<b>Total operating expenses</b>	299,744,632	11,864,972
<b>Operating income (loss)</b>	(170,091,060)	1,720,091
<b>Nonoperating revenues (expenses)</b>		
State apportionments, non-capital	56,688,145	-
Local property taxes	83,026,697	-
State taxes and other revenues	5,863,185	-
Investment income - non-capital	383,001	-
Interest expense on capital asset-related debt	(18,357,381)	-
Other nonoperating revenues	290,422	-
Transfer to fiduciary funds	(666,123)	-
Gain (loss) on disposal of capital assets	716,526	-
<b>Net nonoperating revenues (expenses)</b>	127,944,472	-
<b>Income (loss) before other revenues, expenses, gains or losses</b>	(42,146,588)	1,720,091
<b>Other revenues, expenses, gains or losses</b>		
Local property taxes and revenues, capital	17,706,099	-
<b>Change in net assets</b>	(24,440,489)	1,720,091
<b>Net assets, beginning of year</b>	149,846,913	-
<b>Retained earnings, beginning of year</b>	-	25,319,277
<b>Dividends declared</b>	-	(450,000)
<b>Net assets, end of year</b>	\$ 125,406,424	\$ 26,589,368

*See notes to financial statements.*

**Coast Community College District**  
**Statement of Cash Flows**  
**Year ended June 30, 2012**

	<b>Primary Government</b>	<b>Component Units</b>
<b>Cash flows from operating activities</b>		
Tuition and fees (net)	\$ 26,547,119	\$ -
Federal grants and contracts	64,608,091	-
State grants and contracts	7,720,195	-
Local grants and contracts	20,979,171	
Administrative fees and interest	-	1,408,820
Donations	-	3,655,659
Payments for income taxes	-	(415,949)
Payments to suppliers	(46,305,938)	(8,911,202)
Payments to/on-behalf of employees	(179,293,555)	-
Payments to/on-behalf of students	(57,350,810)	(732,703)
Auxiliary enterprise sales and charges	5,708,656	6,051,476
Auxiliary and component unit transfers	-	-
Amounts held in trust	-	-
Net cash (used in) provided by operating activities	(157,387,070)	1,056,101
<b>Cash flows from non-capital financing activities</b>		
State apportionments and receipts	56,495,144	-
Auxiliary and component unit transfers to fiduciary funds	(666,123)	
Property taxes	83,026,697	-
State tax and other revenues	6,153,607	-
Dividends paid	-	(175,000)
Net cash provided by (used in) noncapital financing activities	145,009,325	(175,000)
<b>Cash flows from capital and related financing activities</b>		
Other local capital receipts	17,706,099	-
Purchases of capital assets	(17,641,906)	(1,361)
Proceeds from sale of capital assets	716,526	-
Principal paid on capital debt	(9,105,712)	-
Interest paid on capital debt	(7,823,889)	-
Net cash used in capital and related financing activities	(16,148,882)	(1,361)
<b>Cash flows from investing activities</b>		
Interest and dividends on investments	383,001	87,500
Net sales of investments	-	2,942,412
Purchase of investments	-	(2,867,505)
Collection of long-term note receivable	500,000	-
Net cash provided by investing activities	883,001	162,407
<b>Net change in cash and cash equivalents</b>	(27,643,626)	1,042,147
<b>Cash and cash equivalents - beginning of year</b>	103,982,307	4,282,694
<b>Cash and cash equivalents - end of year</b>	\$ 76,338,681	\$ 5,324,841
<b>Details of cash and cash equivalents in the statement of net assets:</b>		
Cash and cash equivalents	\$ 58,765,446	
Restricted cash and cash equivalents	17,573,235	
Total cash and cash equivalents	\$ 76,338,681	

*See notes to financial statements.*

**Coast Community College District  
Statement of Cash Flows (Continued)  
Year ended June 30, 2012**

	<b>Primary Government</b>	<b>Component Units</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>		
Operating income (loss)	\$ (170,091,060)	\$ 1,720,091
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Net non-cash contributions	-	(1,319,959)
Realized and unrealized gain on investments, net	-	(236,345)
Change in value of split-interest agreement	-	(5,309)
Depreciation expense	16,509,253	624,295
Changes in assets and liabilities:		
Receivables, net	(3,537,359)	(166,299)
Inventory	(3,803)	-
Prepaid expenses	1,168,978	65,332
Student loans receivable	236,718	-
Other postemployment benefit asset	862,890	-
Due from component units	52,565	-
Accounts payable	(1,952,548)	493,255
Accrued liabilities	(2,168,564)	1,847
Compensated absences	1,843,605	-
Deferred revenue	(747,327)	(27,964)
Deferred tax liability	-	12,000
Due to District	-	(4,084)
Other assets		(100,759)
Due to/from fiduciary funds	227,581	-
Due to/from component units	(85,800)	-
Estimated liability for open claims and IBNR's	297,800	-
<b>Net cash (used in) provided by operating activities</b>	<b>\$ (157,387,070)</b>	<b>\$ 1,056,101</b>

*See notes to financial statements.*

**Coast Community College District  
Statement of Fiduciary Net Assets  
June 30, 2012**

	<b>Orange Coast College Ancillary</b>	<b>Associated Student Body Funds</b>
<b>ASSETS</b>		
Cash on hand and in banks	\$ 2,113,716	\$ 8,981,979
Accounts receivable:		
Miscellaneous	-	285,728
Prepaid expense	-	85,763
Due from governmental funds	29,381	105,000
<b>Total assets</b>	<b>\$ 2,143,097</b>	<b>\$ 9,458,470</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 74,347	\$ 181,132
Funds held in trust	2,068,750	2,613,999
<b>Total liabilities</b>	<b>2,143,097</b>	<b>2,795,131</b>
<b>Net assets</b>		
Unrestricted	-	6,663,339
<b>Total net assets</b>	<b>-</b>	<b>6,663,339</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,143,097</b>	<b>\$ 9,458,470</b>

*See notes to financial statements.*

**Coast Community College District  
Statement of Changes in Fiduciary Net Assets  
Year ended June 30, 2012**

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		<u>Associated Student Body Funds</u>
<b>Additions</b>		
Sales	\$	2,629,905
Interest and investment income		5,720
Student representation fee		1,317,266
Other local revenues		364,367
<b>Total additions</b>		<u>4,317,258</u>
<b>Deductions</b>		
Classified salaries		578,685
Employee benefits		193,745
Supplies and materials		1,021,888
Services and other operating expenses		1,844,154
Capital outlay		42,497
<b>Total deductions</b>		<u>3,680,969</u>
<b>Change in net assets</b>		636,289
Net assets, beginning of year		<u>6,027,050</u>
Net assets, end of year	\$	<u><u>6,663,339</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.

**Financial Statement Presentation**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the GASB, including Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments and including Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*, issued in June and November 1999 and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund are excluded from the basic financial statements.

**Basis of Accounting**

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

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

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

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

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable consists 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.

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.



**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Restricted Cash and Cash Equivalents

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

Student Loans Receivable

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

Issue Costs

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

Capital Assets

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

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

Accounts Payable

Accounts payable consists of amounts due to vendors.

Accrued Liabilities

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

Deferred Revenue

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

Compensated Absences

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

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave.

Accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires and within the constraints of the appropriate retirement systems.

Net Assets

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

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

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

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

State Apportionments

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

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

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments by December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. Property taxes for debt service purposes cannot be estimated and, therefore, have not been accrued in the basic financial statements.

On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' and Public Employees' Retirement Systems on behalf of all Community Colleges in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at \$2.8 million for the State Teachers' Retirement System (STRS).

Classification of Revenues

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

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

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

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Scholarship Discounts and Allowances

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

Estimates

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

**NOTE 2      DEPOSITS**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. All public funds are invested in bonds or government backed (collateralized) securities at 110% of the amount on deposit. The principal (face value) does not fluctuate, only the interest received on the investment. As of June 30, 2012, \$10.3 million of the District's bank balance of \$13.4 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>\$ 10,298,119</u>
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**Cash in County**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Orange County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair value of the District's deposits in this pool as of June 30, 2012, as provided by the pool sponsor, was \$62,348,210.

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, 2012 consists of the following:

Federal and state	\$	25,755,101
Miscellaneous		3,308,513
Student loans		2,898,960
Total \$		<u>31,962,574</u>

**NOTE 4      NOTE RECEIVABLE**

The District has a note receivable in the amount of \$17,500,000 for the sale of KOCE and the KOCE-TV operating license on March 17, 2004. The payments are to be made to the District over the next 26 years. The District is receiving quarterly payments of \$125,000. The balance of the notes receivable as of June 30, 2012 is \$16,125,000.

**NOTE 5      INTERFUND TRANSACTIONS**

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

**NOTE 6      CAPITAL ASSETS**

The following provides a summary of changes in capital assets for the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
Capital assets not being depreciated				
Land	\$ 24,141,969	\$ -	\$ -	\$ 24,141,969
Work-in-progress	44,457,423	16,590,615	(3,238,769)	57,809,269
Total capital assets not being depreciated	<u>68,599,392</u>	<u>16,590,615</u>	<u>(3,238,769)</u>	<u>81,951,238</u>
Capital assets being depreciated:				
Buildings and improvements	501,402,907	3,238,769	-	504,641,676
Equipment	32,882,801	1,051,291	(201,707)	33,732,384
Total capital assets being depreciated	<u>534,285,708</u>	<u>4,290,060</u>	<u>(201,707)</u>	<u>538,374,060</u>
Less accumulated depreciation for:				
Buildings and improvements	(172,468,343)	(15,115,998)	-	(187,584,341)
Equipment	(27,922,785)	(1,393,255)	201,707	(29,114,333)
Total accumulated depreciation	<u>(200,391,128)</u>	<u>(16,509,253)</u>	<u>201,707</u>	<u>(216,698,674)</u>
Capital assets, net	<u>\$ 402,493,972</u>	<u>\$ 4,371,422</u>	<u>\$ (3,238,769)</u>	<u>\$ 403,626,625</u>

**NOTE 7 CAPITAL LEASE**

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

Year ending June 30,	Principal	Interest	Total
2013	\$ 147,289	\$ 39,901	\$ 187,190
2014	154,173	33,017	187,190
2015	161,378	25,812	187,190
2016	168,919	18,271	187,190
2017	176,814	10,376	187,190
2018	91,481	2,113	93,595
Total	<u>\$ 900,054</u>	<u>\$ 129,490</u>	<u>\$ 1,029,545</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 8 OPERATING LEASES**

**Operating Leases**

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

Year ending June 30,	Lease Payment
2013	\$ 556,791
2014	407,169
2015	<u>299,159</u>
Total	<u>\$ 1,263,119</u>

Current year expenditures for operating leases were approximately \$650,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

**NOTE 8 LEASES (CONTINUED)**

**Operating Lease Revenue**

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

Year ending June 30,	Lease Payment
2013	\$ 480,000
2014	480,000
2015	480,000
2016	480,000
2017	480,000
2018-2022	2,400,000
2023-2027	2,400,000
2028-2032	2,360,000
Total	\$ 9,560,000

**NOTE 9 GENERAL OBLIGATION BONDS**

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

The outstanding general obligation bonded debt of Coast Community College District at June 30, 2012 is:

	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding 7/1/2011	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2012
Series A	4/17/2003	2.50 - 5.50	8/1/2016	\$ 110,000,000	\$ 11,920,000	\$ -	\$ 3,225,000	\$ 8,695,000
Refunding	3/10/2005	3.00 - 5.25	8/1/2022	74,893,867	58,553,867	-	3,575,000	54,978,867
Series B	6/28/2006	3.63 - 5.00	8/1/2030	149,859,831	146,154,831	-	2,165,000	143,989,831
Series C	6/28/2006	3.63 - 5.00	8/1/2036	110,140,169	110,140,169	-	-	110,140,169
				\$ 444,893,867	\$ 326,768,867	\$ -	\$ 8,965,000	317,803,867
							Deferred charge on refunding	(1,497,248)
							Premium	9,747,276
							Accreted interest	59,140,418
							Total	\$ 385,194,313

**NOTE 9 GENERAL OBLIGATION BONDS (CONTINUED)**

**Series A**

The annual payments for Series A, outstanding as of June 30, 2012 are as follows:

Year ending June 30,	Principal	Interest	Total
2013	\$ 3,355,000	\$ 342,488	\$ 3,697,488
2014	3,505,000	179,375	3,684,375
2015	605,000	76,625	681,625
2016	635,000	45,625	680,625
2017	595,000	14,875	609,875
Total	<u>\$ 8,695,000</u>	<u>\$ 658,988</u>	<u>\$ 9,353,988</u>

Premiums received are added to the maturity amount and amortized to interest expense over the life of the liability. The Series A bonds included a premium of \$1,293,840. This amount is amortized using the straight-line method. Amortization of \$85,780 was recognized during the 2011-12 year.

**Refunding**

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

The debt service requirement for the Refunding Bonds outstanding as of June 30, 2012 is as follows:

Year ending June 30,	Principal	Interest	Total
2013	\$ 4,220,000	\$ 2,496,925	\$ 6,716,925
2014	4,955,000	2,287,050	7,242,050
2015	5,600,000	2,040,950	7,640,950
2016	5,880,000	1,739,600	7,619,600
2017	6,200,000	1,430,250	7,630,250
2018-2022	27,090,527	11,170,848	38,261,375
2023	1,033,340	6,746,660	7,780,000
Total	<u>\$ 54,978,867</u>	<u>\$ 27,912,283</u>	<u>\$ 82,891,150</u>

Premiums received are added to the maturity amount and amortized to interest expense over the life of the liability. The Refunding Bonds included a premium of \$9,060,253. This amount is amortized using the straight-line method. Amortization of \$600,677 was recognized during the 2011-12 year.



**NOTE 9 GENERAL OBLIGATION BONDS (CONTINUED)**

Capital appreciation bonds were issued as part of the Refunding Bonds issuance with maturity dates from August 1, 2020 through 2022. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest of \$3,471,112 as of June 30, 2012 has been reflected as long-term debt.

The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$2,536,664. Amortization of \$148,488 was recognized during the 2011-12 year.

**Series B and C**

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

The required annual payments for Series B and C outstanding as of June 30, 2012 are as follows:

Series B

Year ending June 30,	Principal	Accreted Interest Component	Current Interest Component	Total
2013	\$ 2,510,000	-	\$ 4,676,094	\$ 7,186,094
2014	2,885,000	-	4,541,219	7,426,219
2015	785,000	-	4,452,903	5,237,903
2016	1,660,000	-	4,397,288	6,057,288
2017	2,655,000	-	4,294,806	6,949,806
2018-2022	34,045,000	-	17,553,625	51,598,625
2023-2027	70,012,018	31,897,982	4,185,250	106,095,250
2028-2031	29,437,813	60,952,187	-	90,390,000
Total	\$ <u>143,989,831</u>	\$ <u>92,850,169</u>	\$ <u>44,101,184</u>	\$ <u>280,941,184</u>

Premiums received are added to the maturity amount and amortized to interest expense over the life of the liability. The Series B bonds included a premium of \$1,965,154. This amount is amortized using the straight-line method. Amortization of \$67,320 was recognized during the 2011-12 year.

**NOTE 9      GENERAL OBLIGATION BONDS (CONTINUED)**

Capital appreciation bonds were issued as part of the Series B issuance with maturity dates from August 1, 2025 through 2030. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest of \$16,891,698 as of June 30, 2012 has been reflected as long-term debt.

Series C

Year ending June 30,	Principal	Accreted Interest Component	Current Interest Component	Total
2013	\$ -	\$ -	\$ -	\$ -
2014	-	-	2,830,500	2,830,500
2015	-	-	5,661,000	5,661,000
2016	-	-	5,661,000	5,661,000
2017	-	-	5,661,000	5,661,000
2018-2022	-	-	28,305,000	28,305,000
2023-2027	-	-	28,305,000	28,305,000
2028-2032	73,814,323	30,655,677	23,603,500	128,073,500
2033-2036	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>

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 2011-12 year.

Capital appreciation bonds were issued as part of the Series C issuance with maturity dates from August 1, 2029 through 2036. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest of \$38,777,608 as of June 30, 2012 has been reflected as long-term debt.

In addition, associated issuance costs for Series B and C are reflected on the statement of net assets and are amortized to interest expense over the life of the liability. Issuance costs of \$3,502,399 are amortized using the straight-line method. Amortization of \$120,084 was recognized during the 2011-12 year.

**NOTE 10      LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2012 is shown below:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due within one year
General obligation bonds:					
Bonds payable	\$ 326,768,867	\$ -	\$ 8,965,000	\$ 317,803,867	\$ 10,085,000
Premium	10,550,530	-	803,254	9,747,276	803,254
Accreted interest	47,908,963	11,231,455	-	59,140,418	-
Deferred charge	(1,645,736)	-	(148,488)	(1,497,248)	-
Capital leases	1,040,767	-	140,712	900,055	147,289
Compensated absences	3,311,308	1,843,605	-	5,154,913	741,457
Total long-term liabilities	\$ 387,934,699	\$ 13,075,060	\$ 9,760,478	\$ 391,249,281	\$ 11,777,000

**NOTE 11      EMPLOYEE RETIREMENT PLANS**

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

**State Teachers' Retirement System (STRS)**

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

**NOTE 11      EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**Public Employees' Retirement System (PERS)**

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2011-12 was 9.709% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

**Contributions to STRS and PERS**

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

Year ended June 30,	STRS		PERS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2010	\$ 5,830,477	100%	\$ 6,038,825	100%
2011	5,396,941	100%	6,289,443	100%
2012	5,028,307	100%	6,067,585	100%

**NOTE 11      EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**Public Agency Retirement System (PARS)**

Plan Description

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

Funding Policy

Contributions of 7.5% of covered compensation of eligible employees are made by the employer and employee. Total contributions, employer and employee combined, were made in the amount of \$724,855 during the fiscal year. The total amount of covered compensation was \$9,665,942. Total contributions made are 100% of the amount of contributions required for fiscal year 2011-12.

**NOTE 12      POSTEMPLOYMENT HEALTHCARE BENEFITS**

**Plan Description**

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

**Funding Policy**

The contribution requirements are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements, with an annual adjustment to fully fund the actuarially determined annual required contribution. The District contributes 100 percent of the cost of current year premiums for eligible retired plan members and their spouses up to age 70 and \$4,000 maximum per year beyond age 70 until death. For fiscal year ended June 30, 2012, the District contributed \$7,316,318 to the plan for current year premiums.

**NOTE 12      POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

Annual required contribution (ARC)	\$	8,124,575
Interest on net OPEB obligation (asset)		(797,670)
Adjustment to annual required contribution		<u>852,303</u>
Annual OPEB cost		8,179,208
Contributions made		<u>(7,316,318)</u>
Change in net OPEB obligation (asset)		862,890
Net OPEB obligation (asset) - beginning of year		<u>(11,395,286)</u>
Net OPEB obligation (asset) - end of year	\$	<u><u>(10,532,396)</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
6/30/2010	\$ 8,283,152	71.81%	\$ 5,544,360
6/30/2011	8,269,719	170.75%	11,395,286
6/30/2012	8,179,208	89.45%	10,532,396

**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 administered by the Retiree Health Benefit Program Joint Powers Agreement (JPA) organized by the Community College League of California. The District made an \$8 million irrevocable contribution to the trust in fiscal year 2010-11 and none in fiscal year 2011-2012.

**NOTE 12      POSTEMPLOYMENT HEALTHCARE BENEFITS (BENEFITS)**

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

**Actuarial Methods and Assumptions**

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

The actuarial cost method used in determining the benefit obligations is the Entry Age Normal cost method. The actuarial assumptions included a 7.0 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4.0 percent which includes 3.0 percent inflation rate. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The initial UAAL is being amortized as a level percentage of payroll with a closed 20 year amortization period. The residual UAAL is amortized using an open 30 year period. The remaining amortization period at June 30, 2012, was sixteen years.

**NOTE 13      JOINT POWERS AGREEMENT**

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

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

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

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

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

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

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

	PIPS 6/30/2011 (Audited)	SELF 6/30/2011 (Audited)	SEWUP 6/30/2011 (Audited)	SWACC 6/30/2011 (Audited)
Total assets	\$ 93,970,269	\$ 174,774,000	\$ 20,162,417	\$ 45,222,215
Total liabilities	<u>71,211,379</u>	<u>141,524,000</u>	<u>13,486,288</u>	<u>21,819,352</u>
Retained earnings	<u>\$ 22,758,890</u>	<u>\$ 33,250,000</u>	<u>\$ 6,676,129</u>	<u>\$ 23,402,863</u>
Total revenues	\$ 6,895,722	\$ 9,165,000	\$ 9,278,074	\$ 10,467,082
Total expenditures	<u>14,184,665</u>	<u>12,425,000</u>	<u>10,715,886</u>	<u>11,665,586</u>
Net increase/(decrease) in retained earnings	<u>\$ (7,288,943)</u>	<u>\$ (3,260,000)</u>	<u>\$ (1,437,812)</u>	<u>\$ (1,198,504)</u>



**NOTE 14 INTERNAL SERVICE FUND**

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

At June 30, 2012, the District accrued the claims liability in accordance with GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The amount of the accrued claims liability is estimated at \$2,784,161. 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 Benefits	\$ 1,953,978	\$ 20,584,911	\$ 20,287,111	\$ 2,251,778
Workers' Compensation	532,383	-	-	532,383
	<u>\$ 2,486,361</u>	<u>\$ 20,584,911</u>	<u>\$ 20,287,111</u>	<u>\$ 2,784,161</u>

**NOTE 15 FUNCTIONAL EXPENSE**

	Salaries	Employee Benefits	Supplies, Materials, Utilities, Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 59,091,115	\$ 18,632,479	\$ 2,127,781	-	-	\$ 79,851,374
Academic support	17,901,034	5,644,514	3,638,307	-	-	27,183,855
Student services	16,673,307	5,257,390	1,689,209	-	-	23,619,906
Operation and maintenance of plant	6,252,334	1,971,472	5,031,343	-	-	13,255,150
Institutional support services	19,808,636	6,246,015	14,207,501	-	-	40,262,151
Community services and economic development	323,494	102,003	-	-	-	425,497
Ancillary services and auxiliary operations	17,458,720	5,460,438	15,960,347	-	-	38,879,505
Student aid	-	-	-	58,769,542	-	58,769,542
Other outgo	980,984	289,291	(281,876)	-	-	988,399
Depreciation expense	-	-	-	-	16,509,253	16,509,253
Total	<u>\$ 138,489,624</u>	<u>\$ 43,603,601</u>	<u>\$ 42,372,612</u>	<u>\$ 58,769,542</u>	<u>\$ 16,509,253</u>	<u>\$ 299,744,632</u>

**NOTE 16      COMMITMENTS AND CONTINGENCIES**

**Litigation**

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

**Purchase Commitments**

As of June 30, 2012, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$19.4 million. Projects will be funded through bond proceeds, State funds and general funds. Contracts payable of \$2.5 million is included in accounts payable of \$4.7 million as of June 30, 2012.

**NOTE 17      CALIFORNIA PUBLIC EMPLOYEES' PENSION REFORM ACT**

After spending close to a year exploring and debating reforms to public pension systems in California, lawmakers in Sacramento passed Assembly Bill 340 (AB 340) on August 31, 2012. AB 340 known as the California Public Employees' Pension Reform Act of 2013 (PEPRA) which amends various provisions of the Public Employees' Retirement Law (PERL) and County Employee's Retirement Law of 1937 (CERL), was signed into law by the Governor on September 12, 2012. PEPRA will take effect on January 1, 2013. The District will be working with CalPERS to thoroughly analyze the complex legislation's impact on the District and its employees. Management asserts that PEPRA will not have a significant impact on the District's June 30, 2012 financial statements.

**NOTE 18      SUBSEQUENT EVENTS**

The District has evaluated events subsequent to June 30, 2012 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 5, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Coast Community College District**  
**Schedule of Postemployment Healthcare Benefits Funding Progress**  
**Year ended June 30, 2012**

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Entry age normal method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
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 most recent actuarial valuations and, in future years, the information from the three most recent actuarial valuations, in accordance with Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

**SUPPLEMENTARY INFORMATION**

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

**BOARD OF TRUSTEES**

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Jim Moreno	President	2014
Ms. Mary L. Hornbuckle	Vice President	2016
Mr. Jerry Patterson	Trustee	2016
Mr. David A. Grant	Trustee	2014
Dr. Lorraine Prinsky	Clerk of the Board	2016
Mr. Cody Joe Torre	Student Trustee	2013

**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, 2012**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal Catalog Number</b>	<b>Award or Pass-through Identification Number</b>	<b>Total Program Expenditures</b>
<b>U.S. Department of Education:</b>			
Direct programs:			
Student financial assistance :			
Administrative allowance	84.063	N/A	\$ 117,657
Academic Competitiveness Grant	84.375	N/A	-
Direct Student Loans	84.033	N/A	8,546,996
Federal Work Study Program	84.032	N/A	479,636
Federal Pell Grant Program	84.063	N/A	42,493,940
Federal Supplement Educational Opportunity Grants (FSEOG)	84.007	N/A	874,480
Subtotal Student Financial Aid Cluster			<u>52,512,709</u> *
North American Renewable Energy Technology	84.116N	N/A	2,769
Strengthening Institutions-Title III	84.031A	N/A	520,835
Passed through California Department of Education			
Vocational and Applied Technology Education Act, Title I, Part C	84.048	23381	1,087,724
Vocational and Applied Technology Education Act, BIC-Business/CIS Education Advist	84.048	23373	269,586
Vocational and Applied Technology Education Act, Career Development, State Adviso	84.048	23373	136,531
Vocational and Applied Technology Education Act, CIS Business Education, State Adv	84.048	23373	37,988
Vocational and Applied Technology Education Act, Collaborative Career Development	84.048		38,000
Vocational and Applied Technology Education Act, Collaborative Career Advisory	84.048		90,000
Vocational and Applied Technology Education Act, Work Based Collaborative	84.048	23373	90,000
English Literacy and Civic Education	84.002A	(1)	43,955
ESL - 231 Grant	84.002A	(1)	94,556
Subtotal pass-through programs			<u>1,888,340</u>
Total U.S. Department of Education			<u>54,924,653</u>
<b>Department of Homeland Security</b>			36,082
<b>Pacific Bridge Asian American Pacific Islander</b>	(1)	(1)	406,396 *
<b>U.S. Department of Justice :</b>			
Virtual Interactive Training Simulator Project	16.753	2010-DD-BX-0416	29,112
Virtual Training for Law Enforcement	16.738	(1)	564
Total U.S. Department of Justice			<u>29,676</u>
<b>U.S. Department of Agriculture :</b>			
Passed-through California Department of Education:			
Child Care Food Programs	10.558	(1)	<u>59,698</u>
Total U.S. Department of Agriculture			<u>59,698</u>
<b>U.S. Department of Health and Human Services:</b>			
Passed-through California Community College's Chancellors Office:			
Temporary Assistance for Needy Families (TANF)	93.558	N/A	123,569
Passed-through California Department of Education:			
Child Development Federal Block Grant	93.596	13609, 13941, 13942, 14130	116,212
Passed-through Yosemite Community College District:			
Child Development Consortium	93.575	(1)	<u>25,000</u>
Total U.S. Department of Health and Human Services			<u>264,781</u>

*See accompanying notes to the supplementary information.*



**Coast Community College District**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year ended June 30, 2012**

	Federal Catalog Number	Award or Pass-through Identification Number	Total Program Expenditures
<b>U.S. Department of Labor:</b>			
Passed through County of Orange Housing and Community Services Department			
Workforce Investment Act Cluster:			
Workforce Investment Act, Disadvantaged Adult Title II	17.258	R865476	\$ 1,249,318
Workforce Investment Act, Dislocated Worker Title III	17.260	R865476	2,402,270
Workforce Investment Act - Recycling and Res Management	17.258/17.260	R865476	266,273
Workforce Investment Act, 15% Regional Veteran Services	17.258	R865476	21,754
Workforce Investment Act, Allied Health Workforce	17.258	R865476	16,654
Workforce Investment Act, ARRA High Demand Training Services	17.260	(1)	11,810
Workforce Investment Act, Neg Mortgage Grant	17.260		100,575
Workforce Investment Act, Vet Employment Assistance	17.258		114,459
Workforce Investment Act - Disadvantaged Adult OJT/WEX	17.258	R865476	55,434
Subtotal Workforce Investment Act Cluster			<u>4,238,547</u> *
WIA - ITA Training Provider	17.261	(1)	11,783
Workforce Investment Act, Technology Based Training	17.269	(1)	131,374
Workforce Investment Act, Nursing Expansion	17.207	(1)	230,355 *
Workforce Investment Act, Senior Community Service Employment	17.235	R865476	97,565
			<u>471,077</u>
Total U.S. Department of Labor			<u>4,709,624</u>
<b>National Science Foundation</b>			
Direct			
C-Spirit Curriculum Development	47.076	N/A	19,172
Total Federal Program Expenditures			<u>\$ 60,450,082</u>
<b>Student Financial Aid Student Loan Program</b>			
Perkins Program:			
Coast Community College District outstanding loan balance as of June 30, 2012			<u>\$ 2,898,960</u>

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

\* Major programs

*See accompanying notes to the supplementary information.*

**Coast Community College District**  
**Schedule of State Financial Assistance - Grants**  
**Year ended June 30, 2012**

Program Name	Program Revenues				Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Revenue	Total	
State Categorial Aid Programs:					
AS RN Enrollment Growth Retention	\$ 41,821	\$ 7,966	\$ -	\$ 49,787	\$ 49,787
At Risk Childrens Boating Scholarships	31,081	-	13,796	17,285	17,285
Basic Skills 09/10	249,039	-	-	249,039	249,039
Basic Skills 10/11	487,538	-	370,345	117,193	117,193
Basic Skills 11/12	445,499	-	445,499	-	-
Board Financial Assistance Admin. Allowance	1,508,934	-	-	1,508,934	1,508,934
Cal Works	392,913	6,525	-	399,438	399,438
Career Tech Ed Community Collaborative	130,000	-	113,840	16,160	16,160
Career Tech Ed Pathways Initiative	397,307	-	242,292	155,015	155,015
Career Tech Ed Community Collaborative Yr 5	246,810	-	241,803	5,007	5,007
CTE Statewide Evaluation	1,523,733	-	229,487	1,294,246	1,294,246
Child Development Apportionment	133,516	-	-	133,516	133,516
Child Development Preschool Program	88,811	-	-	88,811	88,811
Disabled Student Programs & Service	1,728,872	(2,115)	-	1,726,757	1,726,757
Economic Opportunity (EOPS)	1,920,023	-	-	1,920,023	1,920,023
EOPS-Coop Agency Resource Education	149,809	(884)	-	148,925	148,925
Hazard Mitigation	1,953	46,047	-	48,000	48,000
IDRC Digital Manufacturing Yr 1	176,280	90,826	-	267,106	267,106
Instructional Equipment / Library Matls one-time	137,239	-	19,391	117,848	117,848
Lottery-Restricted Materials	1,493,633	-	747,741	745,892	745,892
Matriculation	1,215,818	-	-	1,215,818	1,215,818
Matriculation-Non Credit	57,068	-	-	57,068	57,068
Mental Health Training CA Law Enforcement	469	67,856	-	68,325	68,325
RHORC Health Care Development	123,004	81,996	-	205,000	205,000
Staff Development	15,827	-	15,782	45	45
Staff Diversity	22,683	-	9,654	13,029	13,029
State Hospital Program (Fairview)	632,817	-	-	632,817	632,817
State South OJT WEX Work Experience	38,865	30,763	\$ -	69,628	69,628
STEM Career Tech Ed Community Collaborative	187,833	-	-	187,833	187,833
Telecom & Tech Infrastructure	35,088	-	33,088	2,000	2,000
Workforce Innovative Partnership	85,731	(822)	-	84,909	84,909
	<u>\$ 13,700,014</u>	<u>\$ 328,158</u>	<u>\$ 2,482,718</u>	<u>\$ 11,545,454</u>	<u>\$ 11,545,454</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, 2012**

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	Factored FTES
	Reported Data
<b>A. Summer Intersession (Summer 2011 only)</b>	
1. Noncredit (1)	9.74
2. Credit	1,851.97
<b>B. Summer Intersession (Summer 2012 - Prior to July 1, 2012)</b>	
1. Noncredit	-
2. Credit	0.83
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>	
1. Census Procedures Courses	
(a) Weekly Census Contact Hours	23,335.79
(b) Daily Census Contact Hours	1,126.67
2. Actual Hours of Attendance Procedure Courses	
(a) Noncredit	313.49
(b) Credit	1,615.86
3. Independent Study/Work Experience	
(a) Weekly Census Contact Hours	4,015.00
(b) Daily Census Contact Hours	1,502.59
(c) Noncredit Independent Study/Distance Education Courses	-
<b>D. Total FTES</b>	33,771.94
<b>Supplemental Information (subset of above information)</b>	
E. In-Service Training Courses (FTES)	13.21
F. Reserved	
G. Reserved	
H. Basic Skills Courses and Immigrant Education	
(a) non-credit	315.09
(b) Credit	2,799.57
<b><u>CCFS 320 Addendum</u></b>	
CDCP Noncredit FTES	N/A
<b>Centers FTES</b>	
(a) Noncredit	N/A
(b) Credit	N/A

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

*See accompanying notes to the supplementary information.*

**Coast Community College District  
 Reconciliation of Annual Financial and Budget Report  
 With Audited Fund Balances  
 June 30, 2012**

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		<u>Self-Insurance Fund</u>
June 30, 2012 Annual Financial and Budget Report Fund Balance (CCFS-311)	\$	59,401,000
Adjustments and Reclassifications:		
Understatement of incurred but not reported claims liability		(2,784,161)
Removal of other postemployment benefits trust fund for financial statement presentation		<u>(44,070,716)</u>
June 30, 2012 Audited Financial Statement Fund Balances	\$	<u><u>12,546,123</u></u>

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

**Coast Community College District**  
**Schedule of Combined General Fund Financial Trends and Analysis**  
**June 30, 2012**

General Fund:	(Budget 2013)		2012		2011		2010	
	Amount	%	Amount	%	Amount	%	Amount	%
<b><u>Revenue and Other Financing Sources</u></b>								
Federal	\$ 10,137,059	4.99%	\$ 8,358,756	4.05%	\$ 9,488,549	4.59%	\$ 10,745,253	5.04%
State	76,798,384	37.82%	73,122,065	35.39%	87,639,933	42.41%	82,816,481	38.81%
County, Local, and Other Sources	117,065,106	57.65%	113,547,164	54.95%	116,581,085	56.42%	118,500,506	55.53%
Other Financial Sources	500,000	0.25%	505,598	0.24%	512,511	0.25%	-	0.00%
Total Revenue and Other Financing Sources	<u>-</u>	<u>0.00%</u>	<u>3,000,000</u>	<u>1.45%</u>	<u>-</u>	<u>0.00%</u>	<u>-</u>	<u>0.00%</u>
	<u>204,500,549</u>	<u>100.72%</u>	<u>198,533,583</u>	<u>96.08%</u>	<u>214,222,078</u>	<u>103.67%</u>	<u>212,062,240</u>	<u>99.38%</u>
<b><u>Expenditures and other Financing Uses</u></b>								
Academic Salaries	70,069,281	34.51%	70,849,060	34.29%	74,796,109	36.20%	80,805,960	37.87%
Classified Salaries	48,534,741	23.90%	49,723,043	24.06%	51,725,911	25.03%	55,435,203	25.98%
Employee Benefits	48,642,441	23.96%	49,533,829	23.97%	50,048,423	24.22%	49,033,184	22.98%
Supplies and Materials	5,591,270	2.75%	2,884,736	1.40%	3,623,844	1.75%	3,452,596	1.62%
Other Operating Expenses and Services	27,569,601	13.58%	19,282,787	9.33%	18,567,719	8.99%	19,621,859	9.20%
Capital Outlay	2,640,798	1.30%	2,103,833	1.02%	2,856,037	1.38%	2,072,905	0.97%
Other Uses	-	0.00%	988,581	0.48%	1,133,525	0.55%	1,449,613	0.68%
Interfund Transfers Out	-	0.00%	6,973,126	3.37%	3,879,582	1.88%	1,513,449	0.71%
Total Expenditures and Other Financing Uses	<u>203,048,132</u>	<u>100%</u>	<u>202,338,995</u>	<u>97.92%</u>	<u>206,631,150</u>	<u>100.00%</u>	<u>213,384,769</u>	<u>100.00%</u>
Change in Fund Balances	<u>1,452,417</u>	<u>0.72%</u>	<u>(3,805,412)</u>	<u>-1.84%</u>	<u>7,590,928</u>	<u>3.67%</u>	<u>(1,322,529)</u>	<u>-0.62%</u>
Ending Fund Balance	<u>24,936,195</u>	<u>12.28%</u>	<u>23,483,778</u>	<u>11.61%</u>	<u>27,289,190</u>	<u>13.21%</u>	<u>19,698,262</u>	<u>9.23%</u>
Available Reserve Balance	<u>20,000,000</u>	<u>6.65%</u>	<u>19,946,164</u>	<u>6.67%</u>	<u>13,500,000</u>	<u>6.53%</u>	<u>13,293,671</u>	<u>6.23%</u>
Full-time Equivalent Students	<u>32,358</u>		<u>33,772</u>		<u>35,349</u>		<u>36,103</u>	
Total Long-Term Debt	<u>\$ 388,803,962</u>		<u>\$ 391,249,281</u>		<u>\$ 387,934,699</u>		<u>\$ 377,402,702</u>	

*See accompanying notes to the supplementary information.*

**Coast Community College District**  
**Schedule of Budgetary Comparison for the Combined General Fund**  
**June 30, 2012**

REVENUE	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue from Federal Sources</b>			
Higher Education Act	\$ 2,206,521	\$ 1,527,293	\$ (679,228)
Workforce Investment Act	5,884,900	4,709,622	(1,175,278)
Temporary Assistance for Needy Families (TANF)	123,569	123,569	-
Vocational and Technical Education Act	1,787,682	1,749,829	(37,853)
Other Federal Revenue	581,784	248,443	(333,341)
<b>Revenue from State Sources</b>			
General Apportionments	55,800,000	55,726,652	(73,348)
Categorical Apportionments	927,184	961,493	34,309
Other State Revenues	18,561,422	16,433,920	(2,127,502)
<b>Revenue from Local Sources</b>			
Property Taxes	87,300,000	83,026,697	(4,273,303)
Interest and Investment Income	250,000	184,652	(65,348)
Student Fees and Charges	28,878,945	24,136,951	(4,741,994)
Other Local Revenue	6,243,359	9,704,462	3,461,103
<b>TOTAL REVENUES</b>	<u>208,545,366</u>	<u>198,533,583</u>	<u>(10,011,783)</u>
<b>EXPENDITURES</b>			
Academic Salaries	73,173,965	70,849,060	2,324,905
Classified Salaries	51,940,544	49,723,043	2,217,501
Employee Benefits	49,715,121	49,533,829	181,292
Supplies and Materials	5,392,634	2,884,736	2,507,898
Other Operating Expenses & Services	25,485,740	19,282,787	6,202,953
Capital Outlay	3,961,493	2,103,833	1,857,660
Other Uses	4,473,369	988,581	3,484,788
<b>TOTAL EXPENDITURES</b>	<u>214,142,866</u>	<u>195,365,869</u>	<u>18,776,997</u>
Excess (deficiency) of revenues over expenditures	\$ <u>(5,597,500)</u>	3,167,714	\$ <u>8,765,214</u>
<b>Other Financing Sources (Uses)</b>			
Interfund Transfers Out		<u>(6,973,126)</u>	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<u>(6,973,126)</u>	
Excess (deficiency) of revenues over expenditures and other sources (uses)		(3,805,412)	
Fund Balances at the Beginning of Year		<u>27,289,190</u>	
Fund Balances at End of Year		\$ <u>23,483,778</u>	

*See accompanying notes to the supplementary information.*

**NOTE 1      PURPOSE OF SCHEDULES**

**Schedules of Expenditures of Federal Awards and State Financial Assistance**

The audit of the Coast Community College District for the year ended June 30, 2012 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. To comply with A-133 and state requirements, the Schedule of Federal Awards and the Schedule of State Financial Assistance was prepared on the modified accrual basis of accounting.

**Schedule of Workload Measures for State General Apportionment**

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

**Reconciliation of Annual Financial and Budget Report with Audited Fund Balances**

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

**Schedule of General Fund Financial Trends and Analysis**

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

**Schedule of Budgetary Comparison for the Combined General Fund**

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

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

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

We have audited the basic financial statements of Coast Community College District (District) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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



We noted certain matters that we reported to management of the District in a separate letter dated December 5, 2012.

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

*Virquez + Company LLP*

**Los Angeles, California  
December 5, 2012**

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

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

Compliance

We have audited the compliance of Coast Community College District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2012, except the requirements discussed in the second paragraph of this report. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

We did not audit the District's compliance with the requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan Program described in the Compliance Supplement. Those requirements govern functions performed by Xerox Education Services, Inc. dba ACS Education Services, Inc. (ACS). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. ACS's compliance with the requirements governing the functions that it performs for the District for the year ended June 30, 2012 was examined by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' examination of ACS's compliance with such requirements.

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

In our opinion, Coast Community College District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with requirements which are required to be reported in accordance with OMB Circular A-133 and which are described as Findings 2012-01 through 2012-08 in the accompanying Schedule of Findings and Questioned Costs.

#### Internal Control Over Compliance

The management of Coast Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Coast Community College District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Coast Community College District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

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

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



**Los Angeles, California  
December 5, 2012**

## **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, 2012 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)
- Curriculum and Instruction (476)
- To Be Arranged Hours (479)

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, 2012.

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 5, 2012**

**Section I – Summary of Auditors’ Results**

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted: No

Federal Awards

Internal control over its major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.032, 84.033, 84.063, 84.268 and 84.375A 84.031	Student Financial Assistance Cluster of Programs Pacific Bridge AAPI
17.258, 17.259, 17.260 17.207	Workforce Investment Act Cluster Workforce Investment Act – Nursing Expansion

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

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

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**Section II – Financial Statement Findings**

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None reported.

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**Section III – Federal Award Findings**

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**Finding F-2012-01 - 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 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.

*Questioned Cost*

The interest calculated on the excess cash amounted to \$460.

*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 might 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-2012-01 - 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*

The District is working toward the implementation of a new system that would electronically monitor the cash balance being maintained by the District. This system would also implement a process that would simulate just-in-time drawdown and deposit to students' accounts thereby eliminating excess cash balance at any point in time.

**Finding F 2012-02 - 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 4 out of 13 R2T4 calculations tested from OCC, the total scheduled award used in the calculation was incorrect. OCC subsequently made corrections to the findings and adjusted returns made to the Department of Education.
- In 1 out of 13 R2T4 tested from OCC, the amount disbursed to student was not included in the calculation. OCC made the corrections on August 3, 2012.
- In 1 out of the 13 R2T4 calculation tested from OCC, the amount of school return calculated was incorrect.

*Questioned Cost*

Total questioned cost was \$125.

*Possible Asserted Cause and Effect*

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

**Finding F 2012-02 - 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 is working toward the implementation and migration of information from the student database system to the financial aid management system. These new processes are to be in place for the 13-14 award year for all three colleges. This will remove the incorrect data submissions regarding withdrawal dates and the calculations of R2T4.

**Finding F-2012-03 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 and Golden West 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 Title IV school portion to the Department of Education, we noted the following:

- In 4 out of 13 samples selected from OCC, the school portion were 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 2 out of 10 samples selected from Golden West College (GWC), the school portion were 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.

*Questioned Cost*

Not applicable.

**Finding F-2012-03 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*

This part of the process is done by the District accounting office personnel. Because of this, work done is not completed under the leadership of the individual financial aid offices. Going forward, the Financial Aid Directors and other managers will need to work with the managers of the District accounting office to ensure compliance of R2T4 and its timelines.

The District is also working toward the implementation and migration of information from the student database system to the financial aid management system. These processes are to be in place for the 13-14 award year for all three colleges. This will remove the incorrect data submissions regarding withdrawal dates and the calculations of R2T4.

**Finding F-2012-04 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**

- 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 reporting should be made within 60 days.

**Golden West**

- 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 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.

**Finding F-2012-04 Enrollment Status Reporting – Late and Inaccurate reporting of enrollment status information to the National Student Loan Data System (Continued)**

*Coastline*

- 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.
- Enrollment status involving 1 out of 5 students tested from CCC was not timely reported to NSLDS (1 day late).

*Questioned Cost*

Not applicable.

*Possible Asserted Cause and Effect*

General cause was staff shortages. It took longer time to review all graduation petitions that the school receives each term.

*Recommendation*

We recommend that the District implement stricter controls to ensure compliance with the requirement for reporting to NSLDS.

*Views of Responsible Officials and Planned Corrective Actions*

The schedule for Clearinghouse data submission has been changed effective Fall 2012 for all three campuses. Enrollment data is now sent every two weeks. This plan is coordinated among all three District colleges for identical submissions. Accuracy of student data is expected to be achieved through the increased reporting schedule.

**Finding F-2012-05 - Borrower Data Transmission and Reconciliation – Reporting of Actual Disbursement Dates**

*Federal Program Information*

*Federal Catalog Number:*

84.063

*Federal Program Name:*

Student Financial Assistance Cluster: Federal Direct Loan Program

*Federal Agency:*

U.S. Department of Education

*Pass-Through Entity:*

N/A

*Campus:*

Coastline 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 685.301 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 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.

*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-2012-05 - Borrower Data Transmission and Reconciliation – Reporting of Actual Disbursement Dates (continued)**

*Views of Responsible Officials and Planned Corrective Actions*

Analysis of transmission records and incorrect dates showed the non-matching dates occurred during a time of transition in the staffing of a key role in the financial aid department, which has since been remedied through the hiring of a full-time replacement as of July 2012. Direct Loans processed to date in the 2012-2013 school year have been reviewed and appropriate corrections have been made.

All future reporting dates will be reviewed for accuracy at the time of each disbursement by the fiscal/accounting specialist. By Friday of each disbursement week or in the case of school closure, the next working day, the supervisor will review a sample of the disbursed students to ensure accuracy.

**Finding F- 2012-06 – Allowable Cost Principles, Time and Effort Documentation**

*Federal Program Information*

<i>Federal Catalog Number:</i>	84.031L
<i>Federal Program Name:</i>	Pacific Bridge AAPI Program
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	Coastline College

*Criteria or Requirement*

Title 2: Grants And Agreements - Part 220—Cost Principles For Educational Institutions (Omb Circular A-21), Appendix A To Part 220—Principles For Determining Costs Applicable To Grants, Contracts, And Other Agreements With Educational Institutions

(2) After-the-fact Activity Records: Under this system the distribution of salaries and wages by the institution will be supported by activity reports as prescribed below.

- a) Activity reports will reflect the distribution of activity expended by employees covered by the system (compensation for incidental work as described in subsection a need not be included).
- b) These reports will reflect an after-the-fact reporting of the percentage distribution of activity of employees. Charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if significant differences are indicated by activity records.
- c) Reports will reasonably reflect the activities for which employees are compensated by the institution. To confirm that the distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the reports will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed.
- d) The system will reflect activity applicable to each sponsored agreement and to each category needed to identify F&A costs and the functions to which they are allocable. The system may treat F&A cost activities initially within a residual category and subsequently determine them by alternate methods as discussed in subsection J.10.b.(2)(c) of this Appendix.
- e) For professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.
- f) Where the institution uses time cards or other forms of after-the-fact payroll documents as original documentation for payroll and payroll charges, such documents shall qualify as records for this purpose, provided that they meet the requirements in subsections J.10.c.(2)(a) through (e) of this Appendix.

*Condition found*

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.

*Questioned Costs*

Not applicable

**Finding F- 2012-06 – Allowable Cost Principles, Time and Effort Documentation (Continued)**

*Possible Asserted Cause and Effect*

This is relatively a new program and the program administrator is still in the process of becoming familiar with the documentation requirements.

*Recommendation*

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.

*Views of Responsible Officials and Planned Corrective Actions*

A new form to track time and effort has been created and communicated out to all departments. The grants department will secure and track time and effort verifications for all full-time, permanent employees who are charged to any grant for less than 100% of their time. This verification will be maintained by the respective grant coordinator and includes an annual report of the major tasks they performed for their percentages of grant funds in accordance with required regulations.

**Finding F2012-07 – Reporting – Cost Sharing Agreement**

*Federal Program Information*

<i>Federal Catalog Number:</i>	17.258, 17.259 and 17.260
<i>Federal Program Name:</i>	Workforce Investment Act (WIA) Cluster
<i>Federal Agency:</i>	U.S. Department of Labor
<i>Pass-Through Entity:</i>	County of Orange Housing and Community Services Department
<i>Campus:</i>	Coastline College

*Criteria or Requirement*

Per contract agreement with the County, a copy the Cost Sharing Agreement shall be sent to Orange County Workforce Investment Board (OCWIB) Administrative Office no later than September 30, 2011. Cost Sharing Agreements shall be submitted on an annual basis.

*Condition found*

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.

*Questioned Costs*

Not applicable

*Possible Asserted Cause and Effect*

We were informed that the delay in submitting the agreement was a result of employee turnover.

*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 OC One-Stop Center Administrator has evaluated the Cost-Sharing Allocation procedures and has implemented a control system that is automated and tracks One-Stop Center on-site partner staff changes quarterly. This system will expedite the submittal process to secure necessary signatures. In addition, a Facilities Assistant has been hired to oversee the project.

The additional designated staff will assume the role of compliance and will work with the accountant and management to ensure timely submittal.

**Finding F- 2012-08 – Special Tests and Provisions – Internal Monitoring**

*Federal Program Information*

<i>Federal Catalog Number:</i>	17.258, 17.259 and 17.260
<i>Federal Program Name:</i>	Workforce Investment Act (WIA) Cluster
<i>Federal Agency:</i>	U.S. Department of Labor
<i>Pass-Through Entity:</i>	County of Orange Housing and Community Services Department
<i>Campus:</i>	Coastline College

*Criteria or Requirement*

In accordance with the contract agreement with the County of Orange, Contractor shall be responsible for internal monitoring of its fiscal/procurement and program operations which includes, but is not limited to, a quality assurance system to review case files, IEPs, crystal report rosters, gaps in service delivery, performance outcomes, follow-up activities, property management, purchases, expenditures, and invoices. Quality and consistency of services between Workforce Specialist and One-Stop Centers is essential.

Contractor shall review ten percent (10%) of the active caseload on a monthly basis. Internal Monitoring shall include a process to address findings, corrective actions and follow-through of corrective action plans. Following the completion of each internal monitoring, Contractor shall submit a copy of any findings identified and the proposed corrective action to the OCWIB Administrative Office.

*Conditions Found*

During our audit of CCCD's compliance with the internal monitoring requirements, we noted the following:

- 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
- WIA Southern Region Dislocated Worker monitored less than 10% of all active caseloads for 4 out of 4 months tested
- WIA Southern Region Disadvantaged Adult monitored less than 10% of all active caseloads for 3 out of 4 months tested

*Questioned Costs*

Not applicable

*Possible Asserted Cause and Effect*

We were informed that the low rate of monitoring was a result of employee turnover.

*Recommendation*

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

*Views of Responsible Officials and Planned Corrective Actions*

The OC One-Stop Center will expand its Performance Tracking System to incorporate the required 10% monitoring of case files. This will incorporate automation practices and continuous improvement tracking. Status reports will be generated indicating the files monitored, the results of case file audits, and record/verify submission to County. Additionally, designated staff will be cross-trained to alleviate employee turnover gaps to ensure compliance.

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**Section IV – State Award and Compliance Finding**

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None reported.

**Coast Community College District  
Status of Prior Year Findings and Questioned Costs  
Year ended June 30, 2012**

Federal Award Findings

<b>Finding Reference</b>	<b>Finding Description</b>	<b>Recommendation</b>	<b>Current Status</b>
F2011-01	Late Return of Title IV Funds - During our testing of the District's compliance with the timely requirements for return of Title IV funds, we noted that unearned Title IV funds for 2 students from Coastline Community College, of the total 25 students selected for testing, were not returned within the required time frames. The funds were returned 69-74 days after the District determined that the student withdrew instead of the required 30-45 days.	We recommend that the District implement stricter controls to ensure compliance with the requirement for timely return of Title IV funds.	Partially implemented. See Finding 2012-03.
F2011-02	Incorrect Calculation of Return of Title IV Funds - During our testing of the District's compliance with the Return of Title IV funds, we noted that the amount of funds to be returned to the Department of Education was incorrectly calculated for 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. We also recommend that the College recalculate its R2T4 for the whole year and if possible, the previous years, and return to the grantor the resulting additional R2T4.	Partially implemented. See Finding 2012-02.

**CONTINUING DISCLOSURE INFORMATION**



**Coast Community College District  
Continuing Disclosure Information (Unaudited)  
Year ended June 30, 2012**

Largest 2011-12 Local Secured Taxpayers

Property Owner	Primary Land Use	2011-12 Assessed Valuation	% of Total (1)
1 The Irvine Company	Commercial	\$ 1,849,495,434	1.94 %
2 South Coast Plaza	Commercial	299,631,194	0.31
3 Reef America REIT II Corp. CCCC2	Commercial	248,859,910	0.26
4 United Dominion Realty LP	Apartments	240,352,261	0.25
5 Bella Terra Associates LLC	Commercial	205,696,436	0.22
6 Mayer Financial, LP	Commercial	199,083,045	0.21
7 McDonnell Douglas Corp.	Industrial	169,899,723	0.18
8 JKS-CMFV LLC	Commercial	162,985,108	0.17
9 CIM/Huntington LLC	Commercial	147,308,597	0.15
10 Oxy Long Beach Inc.	Oil & Gas	144,692,821	0.15
11 RTS-Sunflower, LLC	Apartments	141,978,606	0.15
12 Interinsurance Exchange of the Automobile Club of America	Commercial	129,062,091	0.14
13 Retail Property Trust	Commercial	121,212,640	0.13
14 UDR Newport Beach North LP	Apartments	118,405,791	0.12
15 Casden Lakes LP	Apartments	117,223,938	0.12
16 Coronado South Apartments LP	Apartments	115,254,573	0.12
17 DCOR LLP	Oil & Gas	109,522,092	0.11
18 Newport Healthcare Center LLC	Commercial	105,971,751	0.11
19 Balboa Bay Club, Inc.	Commercial	97,570,000	0.10
20 100 Bayview LLC	Commercial	95,005,651	0.10
		<u>\$ 4,819,211,662</u>	<u>5.06 %</u>

(1) 2011-12 Local Secured Assessed Valuation: \$95,245,166,831

