



VICENTI LLOYD & STUTZMAN LLP

MAKING A POSITIVE DIFFERENCE IN OUR WORLD

COAST COMMUNITY COLLEGE DISTRICT

PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE C
FINANCIAL AUDIT

Fiscal Year Ending June 30, 2004

RESPECT FOR
THE
INDIVIDUAL



HIGH ETHICAL
STANDARDS



INNOVATION
CREATIVITY
CHANGE



MUTUAL TRUST



UNEQUIVOCAL
EXCELLENCE

**COAST COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE C
FINANCIAL AUDIT**

June 30, 2004

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Chairman

ROYCE A. STUTZMAN

Partners

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DEAN WEST

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Citizens' Oversight Committee
Coast Community College District
1370 Adams Avenue
Costa Mesa, CA 92626

We have audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Bond Building Fund - Measure C Bond Program of the Coast Community College District as of June 30, 2004. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit of the Bond Building Fund 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 for the Bond Building Fund are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Bond Building Fund financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the Bond Building Fund of the Coast Community College District as of June 30, 2004, in conformity with accounting principles generally accepted in the United States of America.



The Board of Trustees
The Citizens' Oversight Committee
Coast Community College District

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2004 on our consideration of the Bond Building Fund of the Coast Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

September 7, 2004

COAST COMMUNITY COLLEGE DISTRICT

BALANCE SHEET
BOND BUILDING FUND
June 30, 2004

ASSETS

Cash in County Treasury	\$ 82,330,571
Interest Receivable	78,992
Due From Other Funds	<u>14,505</u>
TOTAL ASSETS	<u>\$ 82,424,068</u>

LIABILITIES AND FUND EQUITY

Liabilities

Accounts Payable	\$ 3,283,006
Due to Other Funds	<u>261</u>
TOTAL LIABILITIES	<u>3,283,267</u>

FUND BALANCE

Designated for Capital Outlay	<u>79,140,801</u>
TOTAL FUND EQUITY	<u>79,140,801</u>

TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 82,424,068</u>
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See the accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BOND BUILDING FUND
For the Fiscal Year Ended June 30, 2004

REVENUES

Revenue from Local Sources

Interest Income \$ 1,076,870

Total Revenue from Local Sources 1,076,870

TOTAL REVENUES

1,076,870

EXPENDITURES

Other Expenses and Services 775,919

Capital Outlay 13,352,580

TOTAL EXPENDITURES

14,128,499

Deficiency of revenues over expenditures (13,051,629)

OTHER FINANCING SOURCES (USES)

Interfund Transfers Out (10,725)

TOTAL OTHER FINANCING SOURCES (USES)

(10,725)

Deficiency of revenues over expenditures
and other sources (uses) (13,062,354)

Fund Balance at Beginning of Year 92,203,155

Fund Balance at End of Year \$ 79,140,801

See the accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BOND BUILDING FUND
For the Fiscal Year Ended June 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Revenue from Local Sources			
Interest Income	\$ 1,000,000	\$ 1,076,870	\$ 76,870
Total Revenue from Local Sources	<u>1,000,000</u>	<u>1,076,870</u>	<u>76,870</u>
TOTAL REVENUES	<u>1,000,000</u>	<u>1,076,870</u>	<u>76,870</u>
EXPENDITURES			
Other Expenses and Services	1,522,034	775,919	746,115
Capital Outlay	<u>91,644,049</u>	<u>13,352,580</u>	<u>78,291,469</u>
TOTAL EXPENDITURES	<u>93,166,083</u>	<u>14,128,499</u>	<u>79,037,584</u>
Excess (deficiency) of revenues over expenditures	<u>(92,166,083)</u>	<u>(13,051,629)</u>	<u>79,114,454</u>
OTHER FINANCING SOURCES (USES)			
Interfund Transfers Out	<u>(37,072)</u>	<u>(10,725)</u>	<u>26,347</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(37,072)</u>	<u>(10,725)</u>	<u>26,347</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (92,203,155)</u>	<u>(13,062,354)</u>	<u>\$ 79,140,801</u>
Fund Balance at Beginning of Year		<u>92,203,155</u>	
Fund Balance at End of Year		<u>\$ 79,140,801</u>	

See the accompanying notes to the financial statements.

**COAST COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants.

FUND STRUCTURE

The Statement of Revenues, Expenditures, and Change in Fund Balance is a statement of financial activities of the Bond Building Fund related to the current reporting period. Expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

BASIS OF ACCOUNTING

The Bond Building Fund of the Coast Community College District is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

BUDGET

The Statement of Revenues, Expenditures and Change in Fund Balances – Budget and Actual includes a column titled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.

**COAST COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004**

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

CAPITAL ASSETS AND LONG-TERM DEBT

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Bond Building Fund are determined by its measurement focus. The Bond Building Fund is accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Bond Building Fund are accounted for in the basic financial statements of the Coast Community College District.

NOTE 2 – BONDED DEBT:

On November 5, 2002, the voters authorized the issuance and sale of general obligation bonds totaling \$370,000,000. In April 2003, \$110,000,000 of general obligation bonds were sold under Proposition 39/Measure C which provides that proceeds of the bonds will generally be used to construct, acquire, modernize and equip district facilities, classrooms and sites, including campus, facility and classroom replacement, modernization and seismic retrofit, parking construction and improvements and that bond proceeds will not be used for salaries or administrative expenses.

The outstanding related bonded debt for the Coast Community College District at June 30, 2004 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2003</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2004</u>
4/17/2003	2.50-5.00%	8/1/2027	\$ 110,000,000	\$ 110,000,000	\$ 0	\$ 0	\$ 110,000,000

**COAST COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004**

NOTE 2 – BONDED DEBT: (continued)

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2004, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 7,220,000	\$ 5,396,180	\$ 12,616,180
2006	4,750,000	4,667,242	9,417,242
2007	4,865,000	4,543,621	9,408,621
2008	2,770,000	4,437,825	7,207,825
2009	2,855,000	4,339,175	7,194,175
2010-2014	16,160,000	19,737,663	35,897,663
2015-2019	20,350,000	15,400,250	35,750,250
2020-2024	25,970,000	9,638,000	35,608,000
2025-2028	<u>25,060,000</u>	<u>2,562,250</u>	<u>27,622,250</u>
Totals	<u>\$110,000,000</u>	<u>\$ 70,722,206</u>	<u>\$180,722,206</u>

NOTE 3 – PURCHASE COMMITMENTS:

As of June 30, 2004, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$19,024,600. Projects will be funded through bond proceeds.



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

The Board of Trustees
The Citizens' Oversight Committee
Coast Community College District
1370 Adams Avenue
Costa Mesa, CA 92626

We have audited the Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Bond Building Fund of the Coast Community College District as of and for the fiscal year ended June 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coast Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Coast Community College District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 04-1.



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

(continued)

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Compliance and Other Matters

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

This report is intended solely for the information and use of the District's Board of Trustees, the Citizens' Oversight Committee and District management. It is not intended to be and should not be used by anyone other than these specified parties.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

September 7, 2004

COAST COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND

SCHEDULE OF AUDIT ADJUSTMENTS
For the Fiscal Year Ended June 30, 2004

Ending fund balance, per District:	\$ 80,353,520
Audit adjustment:	
To adjust for under-accrual of Accounts Payable	<u>(1,212,719)</u>
Ending fund balance, per Measure C Proposition 39 Audit	<u>\$ 79,140,801</u>

**COAST COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2004**

FINDING 04-1 – ACCOUNTS PAYABLE

FINDING: During our review of subsequent cash disbursements, we noted four invoices for goods or services that were received prior to June 30, 2004. These invoices were paid in the 2004-05 fiscal year, however they were not accrued as liabilities as of June 30, 2004.

RECOMMENDATION: The District should carefully review all outstanding liabilities at fiscal year end and properly accrue those amounts for which the goods or services were received by the end of the fiscal year. An estimated liability should be recorded at fiscal year end if the District knows goods or services were received but the invoice has not yet been received. Prior year end accruals will take coordination between the business office, facilities office and others.

DISTRICT RESPONSE: The District will review internal procedures and implement any necessary changes to ensure all invoices and estimates are properly accrued at year-end.