

COAST COMMUNITY COLLEGE DISTRICT

Annual Financial Report and Single Audit Report

For the Fiscal Year Ended June 30, 2007

**COAST COMMUNITY COLLEGE DISTRICT
ORGANIZATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

Board of Trustees

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Jerry Patterson	President	2008
Ms. Mary L. Hornbuckle	Trustee	2008
Mr. Jim Moreno	Trustee	2010
Mr. Armando Ruiz	Trustee	2008
Mr. Walter G. Howald	Trustee	2010
Mr. Paul Bunch	Student	2008

District Executive Officers

<u>Name</u>	<u>Title</u>
Dr. Kenneth D. Yglesias	Chancellor
Mr. Robert Dees	President, Orange Coast College
Mr. Wes Bryan	President, Golden West College
Dr. Ding-Jo Currie	President, Coastline Community College
Mr. C.M. Brahmhatt	Vice Chancellor, Administrative Service
Dr. Joseph Quarles	Vice Chancellor, Human Resources
Ms. Joyce Black (Interim)	Associate Vice Chancellor of Educational and External Affairs

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Coast Community College District
Costa Mesa, California

We have audited the accompanying financial statements of the business type activities and aggregate discreetly presented component units of the Coast Community College District (the District) as of and for the fiscal year ended June 30, 2007, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 respective financial position of the business type activities and aggregate discreetly presented component units of the Coast Community College District as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2007, on our consideration of the 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.

Management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Macias Jini & O'Connell LLP

Certified Public Accountants

Los Angeles, California

December 7, 2007

**COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

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, 2007. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

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

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

BASIC FINANCIAL STATEMENTS

This Annual Report consists of four components: (1) Management's Discussion and Analysis; (2) Basic Financial Statements; (3) Notes to the Basic Financial Statements and (4) Supplementary Information, which among other things, includes supplemental combining statements for the District's discretely presented component units and federal and state schedules.

The following condensed financial information provides an overview of the District's financial activities as of and for the fiscal years ended June 30, 2007 and 2006. Certain prior year amounts have been revised to follow current year classifications. The District's component unit activity is presented in discrete format in the Basic Financial Statement and Supplementary Information section of the annual financial report and is not included in this management's discussion and analysis section. Component unit foundation activity for the District consists of the four related foundations: (1) the Coast Community College District Foundation, (2) the Coastline College Foundation, (3) the Golden West College Foundation, and (4) the Orange Coast College Foundation. Other component unit activity consists of the Enterprise Corporation owned by the District and its foundation.

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

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

Each one of these statements will be discussed.

**COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007**

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the district facilities will likely be an important component in this evaluation.

FINANCIAL HIGHLIGHTS

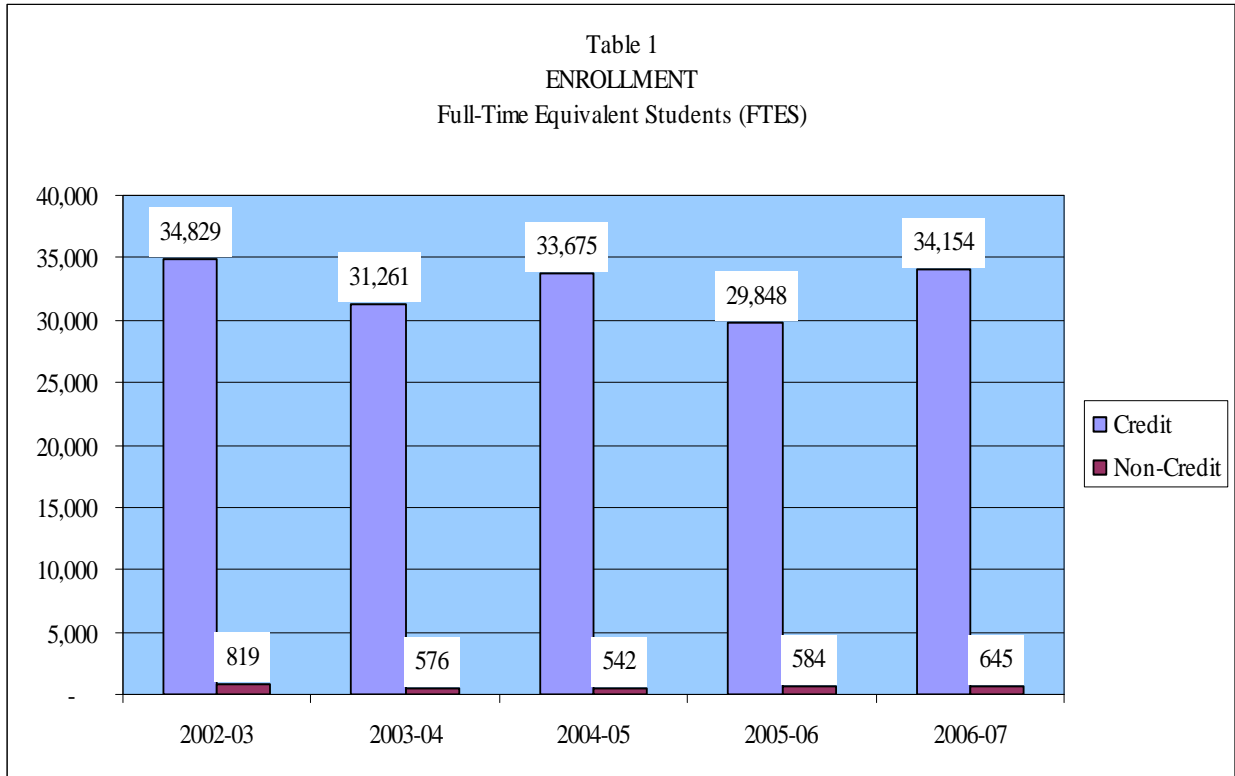
Financial and Enrollment Highlights

The District ended the year with an exceptional fund balance. Numerous one-time state funds, equalization funds, and enrollment growth led to the increased ending balance for 2006/2007. Salary increases of 6.38-7.38% were provided to employee groups and funds were set aside for future retiree benefits ahead of the required implementation of GASB Statement No.45 in 2007/2008. The District has joined a JPA for investing these funds in an irrevocable trust. As of June 30, 2007, \$19 million was transferred into the trust.

In November 2002, the District passed Measure C, a general obligation (GO) bond for facilities. During 2006/2007, the district issued the remaining \$260 million of bonds. Construction projects are being completed ahead of the original schedule to avoid the higher costs of construction in future years. Although construction costs have risen far above initial projections, the District is making significant progress in its facility master plans.

Enrollment at our three colleges – Orange Coast College, Golden West College, and Coastline Community College – increased during 2006/2007 by over 14% (Table 1). A large part was the result of holding summer 2006 FTES until the 2006/2007 reporting year. This caused lower reported FTES in 2005/2006 and higher FTES in the current year. The District was also able to grow a small percentage over the original base FTES. Because of this reporting flexibility, the District was able to garner almost \$2 million in growth funds.

**COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007**



Net Assets

The District's net assets were \$154 million as of the fiscal year ended June 30, 2007, a 21% increase over the prior year. Of this amount, \$65 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 2) and change in net assets (Table 3) of the District's Business-type activities.

**COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007**

Table 2

ASSETS	(in thousands)		2007 to 2006 Change
	2007	2006	
Current Assets:			
Cash and cash equivalents	\$ 290,197	\$ 77,800	273.0%
Receivables	21,961	13,004	68.9%
Inventory & other assets	1,208	1,697	-28.8%
Total current assets	<u>313,366</u>	<u>92,501</u>	238.8%
Noncurrent Assets:			
Other assets	24,587	22,660	8.5%
Capital assets, net	227,688	163,533	39.2%
Total noncurrent assets	<u>252,275</u>	<u>186,193</u>	35.5%
Total assets	<u>\$ 565,641</u>	<u>\$ 278,694</u>	103.0%
LIABILITIES			
Current Liabilities:			
Accounts payable & accrued liabilities	\$ 26,127	\$ 13,926	87.6%
Deferred revenue	6,186	3,481	77.7%
Long-term liabilities - current portion	2,918	4,170	-30.0%
Bonds payable	6,086	10,053	-39.5%
Amounts held in trust for others	7,717	7,214	7.0%
Total current liabilities	<u>49,034</u>	<u>38,844</u>	26.2%
Noncurrent Liabilities:			
Long-term liabilities, noncurrent portion	3,804	11,065	-65.6%
Bonds payable	358,642	101,318	254.0%
Total noncurrent liabilities	<u>362,446</u>	<u>112,383</u>	222.5%
Total liabilities	<u>411,480</u>	<u>151,227</u>	172.1%
NET ASSETS			
Invested in capital assets, net of related debt	70,847	55,673	27.3%
Restricted	17,939	21,911	-18.1%
Unrestricted	65,375	49,883	31.1%
Total net assets	<u>154,161</u>	<u>127,467</u>	20.9%
Total liabilities and net assets	<u>\$ 565,641</u>	<u>\$ 278,694</u>	103.0%

**COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007**

There are several significant changes in the Statement of Net Assets from 2006. The cash and bonds payable increased largely due to the issuance of \$260 million of GO Bonds. One of the uses of the bond funds was to repay existing debt like the outstanding certificates of participation and notes payable that funded prior construction projects. These debts have now been fully defeased and our long-term liabilities have been reduced.

The large amount of construction projects currently in progress had an increased affect on several items including the value of capital assets, receivables from the state for funded projects, and accounts payable for amounts owed to contractors.

The larger amount of deferred revenue was due to the additional restricted one-time funds from the State that were not spent by June 30 and advanced rental income received. The funds set aside in a trust for retiree health benefits have been removed and will be reported on a separate trust statement. This is reflected in a reduction in investment with trustee and restricted net assets. See Note 14 of the financial statements for further information regarding retiree health benefits.

Changes in Net Assets

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

**COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007**

Table 3

	(in thousands)		2007 to 2006
REVENUES	2007	2006	Change
Operating revenues:			
Net tuition and fees	\$ 20,914	\$ 20,563	1.7%
Grants and contracts, non-capital	54,878	48,601	12.9%
Auxiliary enterprise sales and charges	7,279	6,814	6.8%
Total operating revenues	<u>83,071</u>	<u>75,978</u>	9.3%
EXPENSES			
Operating expenses:			
Salaries	131,294	117,729	11.5%
Employee benefits	42,699	43,622	-2.1%
Supplies, materials, other operating expenses and services	61,220	58,833	4.1%
Utilities	5,088	4,214	20.7%
Depreciation	7,446	6,765	10.1%
Total operating expenses	<u>247,747</u>	<u>231,163</u>	7.2%
Operating loss	<u>(164,676)</u>	<u>(155,185)</u>	6.1%
NONOPERATING REVENUES			
State apportionments, noncapital	74,569	64,836	15.0%
Local property taxes	79,960	74,811	6.9%
State taxes and other revenues	7,735	5,719	35.3%
Interest income	16,677	3,515	374.5%
Other nonoperating revenues, net	<u>(1,558)</u>	<u>1,049</u>	-248.5%
Total nonoperating revenues	<u>177,383</u>	<u>149,930</u>	18.3%
Loss (gain) before capital revenues	<u>12,707</u>	<u>(5,255)</u>	-341.8%
State grants, contracts, taxes and local property taxes, capital	<u>32,987</u>	<u>18,071</u>	82.5%
Special item – contribution to retiree benefit trust	(19,000)	-	0.0%
Increase in net assets	26,694	12,816	108.3%
NET ASSETS			
Net assets - beginning of year	<u>127,467</u>	<u>114,651</u>	11.2%
Net assets - end of year	<u>\$ 154,161</u>	<u>\$ 127,467</u>	20.9%

Note: Certain reclassification have been made to the 2006 financial statements in order to conform to the 2007 presentation.

**COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007**

Although the District had a significant increase in FTES, the net tuition and fees reflects only a slight increase due to a drop in state mandated enrollment fees from \$26 to \$20 for the spring semester. The state funding formula calculates the District revenue with an equal amount per FTES. After subtracting enrollment fees and property taxes, the state provides the difference. Therefore, the District did not lose any funding with the decrease in enrollment fees because it was offset by an increase in state apportionments.

The state apportionment also improved for funding of COLA and equalization. Equalization funds are provided to bring the District's funding in line with other colleges. The new state funding formula provides an equal amount per FTES for all colleges. Interest income improved almost 400% because of the large balance of GO bond funds. State funded construction projects accounts for the increase in capital revenues.

The salaries increased from cost of living allowances provided to staff, as well as extra staff needed to teach additional class sections. The benefits for 2006 were higher than 2007 because the final payments for a retirement incentive were made in 2006. No retirement incentives were offered in 2007.

The special item reflects the amount of district funds transferred to an irrevocable trust for funding of the retiree health benefits.

Cash Flows

	(in thousands)	
	2007	2006
Cash Provided By (Used In):		
Operating activities	\$ (169,190)	\$ (155,184)
Noncapital financing activities	169,041	151,122
Capital financing activities	199,875	(37,547)
Investing activities	16,671	(240)
Net (decrease) increase in cash	216,397	(41,849)
Cash - Beginning of year	73,800	115,649
Cash - End of year	<u>\$ 290,197</u>	<u>\$ 73,800</u>

The cash provided by capital financing activities was the result of issuing the final \$260 million of general obligation bonds. The interest on those funds provided the large increase in cash from investing activities.

**COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had a net \$228 million in a broad range of capital assets, including land, buildings, vehicles, and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$64 million, or 39 percent, from last year.

Table 4

(in thousands)

	Balances for the fiscal year ended June 30,	
	2007	2006
	<u> </u>	<u> </u>
Land	\$ 9,150	\$ 9,150
Buildings and improvements	270,499	222,175
Construction in progress	70,868	49,679
Equipment	32,289	30,744
Total capital assets	<u>382,806</u>	<u>311,748</u>
Less: Accumulated depreciation	155,118	148,215
Capital assets, net	<u>\$ 227,688</u>	<u>\$ 163,533</u>

This year's additions of \$71 million included several vehicles, construction, capital improvements, and classroom equipment such as computers. A large number of capital projects are in progress and will be completed during 2007/2008 using state and GO bond funds. New projects will also begin in order to spend the GO bond funds within the required timelines. More detailed information about our capital assets are presented in Note 5 to the financial statements.

Long-Term Debt

Table 5

(in thousands)

	Balances for the fiscal year ended June 30,	
	2007	2006
	<u> </u>	<u> </u>
Notes payable	\$ -	\$ 1,747
Bond obligations	364,728	111,371
Compensated balances	4,545	4,202
Other accrued liabilities	-	6,695
Total	<u>369,273</u>	<u>124,015</u>
Less: Due within one year	6,827	11,632
Total long-term liabilities	<u>\$ 362,446</u>	<u>\$ 112,383</u>

**COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007**

At the end of this year, the District had \$365 million in bonds outstanding versus \$111 million last year due to the issuance of the remaining bonds. The State limits the amount of general obligation debt that District's can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt is significantly below this \$4.3 billion statutorily-imposed limit.

The increase in compensated balances reflects the increase in salaries rates for staff. Other liabilities represent certificates of participation. This debt and a notes payable for a state energy loan were fully defeased this year with bond proceeds. We present more detailed information regarding our long-term liabilities in Note 10, of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2006-2007 ARE NOTED BELOW:

The District has once again provided a comfortable salary increase above the state COLA, which improves the standing among other multi-college districts. Additional progress has also been made in funding the retiree health benefit liability. The fund had an ending balance of \$25 million, of which \$20 million was transferred to the irrevocable trust. The GO bond projects are moving forward as many projects are complete or under construction. The colleges are seeing significant improvements in their facilities that benefit students. The strong unrestricted General Fund ending balance will help ensure District stability.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2007/2008 year, the District Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. A 4.53 percent state COLA.
2. An increase in unrestricted Lottery funding due to higher FTES.
3. State on-going and one-time funds provided for instructional equipment and scheduled maintenance.

The new items specifically addressed in the budget are:

1. Salary increases of 6% for all staff that exceeds the state COLA by 1.47%
2. Over \$3 million in one-time funds provided to colleges for instructional equipment, disaster preparedness, capital outlay projects and student services software from the ending balance.
3. Increased benefit cost of ½ percent for contract employees to pre-fund retiree benefits (total of 3%).
4. Increased reserve for contingency to 7.75%.
5. Establish \$2 million stabilization reserve for future downturn in student population.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

**COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007**

Assets

Current assets

Cash and cash equivalents	\$ 277,706,770
Restricted cash and cash equivalents	12,490,621
Receivables	21,961,136
Prepaid expenses	403,364
Inventory	804,578
Total current assets	313,366,469

Noncurrent assets

Bond issuance costs	3,502,399
Restricted student loans receivable	3,583,715
Notes receivable	17,500,000
Capital assets, net:	
Non-depreciable	80,018,021
Depreciable	147,669,999
Total noncurrent assets	252,274,134

Total Assets

\$ 565,640,603

Liabilities and Net Assets

Liabilities

Current liabilities

Accounts payable	16,489,680
Interest payable	3,898,590
Accrued salaries	5,738,818
Deferred revenue	6,186,502
Compensated balances	741,457
Bonds payable	6,086,025
Claims liability	2,176,294
Amounts held for others	7,716,945
Total current liabilities	49,034,311

Noncurrent liabilities

Compensated balances	3,803,836
Bonds payable	358,641,700
Total noncurrent liabilities	362,445,536

Total liabilities

411,479,847

Net assets

Invested in capital assets, net of related debt	70,846,562
Restricted	
Expendable	
Scholarships and loans	4,744,383
Debt service	13,194,448
Total restricted net assets	17,938,831
Unrestricted	65,375,363
Total net assets	154,160,756

Total Liabilities and Net Assets

\$ 565,640,603

The accompanying notes to the basic financial statements are an integral part of this statement.

**COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Operating revenues	
Tuition and fees	\$ 27,951,126
Less: Scholarship discounts and allowances	(7,037,154)
Net tuition and fees	<u>20,913,972</u>
Grants and contracts, noncapital:	
Federal	22,599,808
State	18,179,214
Local	14,099,346
Auxiliary enterprise sales and charges	7,278,650
Total operating revenues	<u>83,070,990</u>
Operating expenses	
Salaries	131,294,603
Employee benefits	42,698,796
Supplies, materials and other operating expenses and services	61,219,950
Utilities	5,087,963
Depreciation	7,445,898
Total operating expenses	<u>247,747,210</u>
Operating loss	(164,676,220)
Nonoperating revenues (expenses)	
State apportionments, noncapital	74,569,257
Local property taxes	79,959,824
State taxes and other revenues	7,735,042
Interest income	16,676,528
Interest expense on capital related debt	(8,208,433)
Loss on sales of capital assets	(1,860)
Other nonoperating revenues, net	6,652,507
Total nonoperating revenues, net	<u>177,382,865</u>
Income before capital revenues and special item	<u>12,706,645</u>
Capital revenues	
State grants and contracts	16,467,135
Local property taxes and revenues	16,519,891
Total capital revenues	<u>32,987,026</u>
Special item - contribution to retiree benefit trust	<u>(19,000,000)</u>
Increase in net assets	<u>26,693,671</u>
Net assets - beginning of year	<u>127,467,085</u>
Net assets - end of year	<u>\$ 154,160,756</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Cash In/(Out)</u>
Cash Flows From Operating Activities	
Tuition and fees	\$ 21,097,028
Federal grants and contracts	22,697,896
State grants and contracts	19,305,489
Local grants and contracts	14,133,006
Payments to employees for salaries	(130,998,919)
Payments for employee benefits	(43,113,219)
Payments to suppliers	(59,037,757)
Payments to utilities	(5,385,099)
Loans issued to students	(559,646)
Collection of loans	531,852
Auxiliary enterprise sales and charges	7,138,892
Retiree benefit payments to irrevocable trust	(15,000,000)
Net cash used by operating activities	<u>(169,190,477)</u>
Cash Flows From Noncapital Financing Activities	
State apportionments	72,809,470
Local property taxes	79,861,432
State taxes and other revenues	8,176,387
Other nonoperating revenues	7,690,759
Student organization agency receipts, net	503,048
Net cash provided by noncapital financing activities	<u>169,041,096</u>
Cash Flows From Capital And Related Financing Activities	
Proceeds from bond obligation	260,920,167
State grant and contract for capital purposes	9,130,490
Local property tax for capital purposes	16,519,891
Purchase of capital assets	(62,616,559)
Principal paid on bond payable	(9,515,000)
Principal paid on capital lease and notes payable	(1,747,227)
Payment of Certificate of Participations	(6,695,000)
Interest paid on capital related debt	(6,121,166)
Net cash provided by capital and related financing activities	<u>199,875,596</u>
Cash Flows From Investing Activities	
Investment income	<u>16,671,330</u>
Net cash provided by investing activities	<u>16,671,330</u>
Net Increase in Cash and Cash Equivalents	216,397,545
Cash and Cash Equivalents - Beginning of Year	<u>73,799,846</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 290,197,391</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Cash In/(Out)</u>
Reconciliation of Operating Loss to Net Cash Used By Operating Activities:	
Operating loss	(164,676,220)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	7,445,898
Retiree benefit payments to irrevocable trust	(15,000,000)
Changes in operating assets and liabilities:	
Receivables	(511,422)
Prepaid expenses	486,072
Inventory	2,654
Other assets	
Student loans receivable	27,794
Accounts payable	1,389,277
Accrued salaries	(48,082)
Deferred revenue	1,764,209
Compensated balances	343,766
Claims payable	(414,423)
Net cash used by operating activities	<u>\$ (169,190,477)</u>
Noncash investing, capital, and financing activities	
Acquisition of capital assets with accounts payable	\$ 10,326,279
Issuance cost of 2006 B&C Bonds paid from bond proceeds	2,032,142

The accompanying notes to the basic financial statements are an integral part of this statement.

**COAST COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNITS - FOUNDATIONS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007**

	<u>Total</u>
Assets	
Cash and cash equivalents	\$ 2,830,438
Restricted investments, at fair value	54,952
Accounts receivable	23,289
Pledges receivable, net	516,759
Grant receivable	413,281
Prepaid expense	6,000
Charitable remainder trust	36,136
Investment in Coast Community College District (CCCD) Enterprise Corporation	1,318,355
Due from Coast Community College District	885
Investments, at fair value	15,563,583
Donated inventory available for sale	593,582
Capital assets, net	5,840,812
Total Assets	<u><u>\$ 27,198,072</u></u>
 Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 322,520
Liabilities under split-interest agreement	17,705
Deposits	52,000
Deferred revenue	10,105
Total liabilities	<u>402,330</u>
 Net Assets	
Unrestricted	2,741,764
Temporarily restricted	21,161,822
Permanently restricted	2,892,156
Total net assets	<u>26,795,742</u>
Total Liabilities and Net Assets	<u><u>\$ 27,198,072</u></u>

The accompanying notes to the basic financial statements are an integral part of the statement.

**COAST COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNITS - FOUNDATIONS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
Support:				
Contributions	\$ 251,258	\$ 3,932,884	\$ 214,348	\$ 4,398,490
Fundraising (net of expenses of \$63,286)	165,087	-	-	165,087
Special event (net of expenses of \$87,041)	-	144,572	-	144,572
Donated assets	1,595	1,778,191	-	1,779,786
Donated services	914,152	-	-	914,152
Donated facilities	45,674	-	-	45,674
Total support	<u>1,377,766</u>	<u>5,855,647</u>	<u>214,348</u>	<u>7,447,761</u>
Revenue:				
Sales	5,950	777,636	-	783,586
Administration fees - Coast CCD Enterprises, Inc.	63,369	-	-	63,369
Interest and dividends	78,531	638,822	-	717,353
Unrealized gain on investments	12,951	513,646	-	526,597
Realized gain (loss) on investments	(6,237)	397,753	-	391,516
Investment income	549,692	-	-	549,692
Charter fees	-	279,725	-	279,725
Miscellaneous fees	101,534	-	-	101,534
Grant revenue	-	855,866	-	855,866
Other revenue	17,605	-	-	17,605
Loss on the sales of capital assets	-	(1,137,568)	-	(1,137,568)
Total revenue	<u>823,395</u>	<u>2,325,880</u>	<u>-</u>	<u>3,149,275</u>
Total support and revenue before net assets released from restrictions	2,201,161	8,181,527	214,348	10,597,036
Net assets released from restrictions	<u>6,488,501</u>	<u>(6,488,501)</u>	<u>-</u>	<u>-</u>
Total support and revenue after net assets released from restrictions	<u>8,689,662</u>	<u>1,693,026</u>	<u>214,348</u>	<u>10,597,036</u>
Expenses				
Program services	6,521,765	-	-	6,521,765
Supporting services:				
Management and general	1,078,468	-	-	1,078,468
Fundraising	448,420	-	-	448,420
Total expenses	<u>8,048,653</u>	<u>-</u>	<u>-</u>	<u>8,048,653</u>
Excess of support and revenue over expenses	641,009	1,693,026	214,348	2,548,383
Net assets - beginning of year, restated	<u>2,100,755</u>	<u>19,468,796</u>	<u>2,677,808</u>	<u>24,247,359</u>
Net assets - end of year	<u>\$ 2,741,764</u>	<u>\$ 21,161,822</u>	<u>\$ 2,892,156</u>	<u>\$ 26,795,742</u>

The accompanying notes to the basic financial statements are an integral part of the statement.

**COAST COMMUNITY COLLEGE DISTRICT
 COMPONENT UNIT - COAST COMMUNITY COLLEGE ENTERPRISE CORPORATION
 STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2007**

ASSETS

Cash	\$ 903,271
Prepaid expenses	85,428
Equipment (net of accumulated depreciation of \$316,761)	<u>184,410</u>
Total assets	<u><u>\$ 1,173,109</u></u>

LIABILITIES

Accounts payable	\$ 100,310
Tax payable	199,732
Deferred tax liability (net)	33,691
Deferred revenue	<u>535,111</u>
Total liabilities	<u><u>868,844</u></u>

STOCKHOLDERS' EQUITY

Common stock	
(\$1 par value, 100,000 shares authorized, 158 shares issued and outstanding)	158
Retained earnings	<u>304,107</u>
Total stockholders' equity	<u><u>304,265</u></u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 1,173,109</u></u>

The accompanying notes to the basic financial statements are an integral part of the statement.

**COAST COMMUNITY COLLEGE DISTRICT
 COMPONENT UNIT - COAST COMMUNITY COLLEGE ENTERPRISE CORPORATION
 STATEMENT OF INCOME AND RETAINED EARNINGS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Rental income	<u>\$ 5,366,514</u>
Operating expenses	
Salaries and benefits	862,124
Contract labor	1,085,160
Other operating expense	653,208
Depreciation	59,861
Rent expense	1,512,906
Equipment rental and maintenance repairs	<u>611,186</u>
Total operating expenses	<u>4,784,445</u>
Operating income	<u>582,069</u>
Other income	
Interest income	<u>18,125</u>
Income before income taxes	600,194
Provision for income taxes	<u>233,254</u>
Net income	366,940
Retained earnings, beginning of year	1,537,167
Dividends paid	<u>(1,600,000)</u>
Retained earnings, end of year	<u><u>\$ 304,107</u></u>
Basic earnings per share	<u><u>\$ 2,322</u></u>
Dividends per share	<u><u>\$ 10,127</u></u>

The accompanying notes to the basic financial statements are an integral part of the statement.

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - REPORTING ENTITY

Organization

The Coast Community College District (the District) was established in 1947 as political subdivision of the State of California and provides post secondary educational services primarily to residents of Orange County. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. Currently, the District operates three campuses located within Orange County, California.

While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criteria for including a potential component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled or has the ability to otherwise access are significant to the District. If any of these criteria are not met the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated, with the District. The District identified five potential component units: Coast Community College District Foundation, Coastline College Foundation, Golden West College Foundation, and Orange Coast College Foundation (the Foundations) and The Coast Community College Enterprise Corporation (the Corporation).

The four Foundations are separate not-for-profit entities. The Boards of Directors for the Foundations are selected independent of any Board of Trustees input. The Foundations Boards are responsible for approving their own budget, accounting and finance related activities. However, the District's governing board has fiscal responsibility over each Foundation. Therefore, the Foundations are included in the financial statements using a discrete presentation with separate financial statements to emphasize that they are legally separate from the District. Each Foundation issues a stand-alone report, which can be obtained from the District.

The Corporation is a for-profit corporation. The Corporation has two shareholders, the District and Coast Community College District Foundation, each holding 50% of the shares. The Board of Directors are appointed independently of any District Board of Trustees' appointments. The Board is responsible for approving its own budget and accounting and finance related activities; however, the District's Board of Trustees has fiscal responsibility over the Corporation. Activities of the Corporation relate to enterprise activities for Orange Coast College and Golden West College. Separate financial information for the Corporation can be obtained through the District.

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB, including Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, Statement No. 35, *Basic Financial Statements-and Management’s Discussion and Analysis-for Public Colleges and Universities*, issued in 1999, and as amended by GASB Statements No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus an Amendment of GASB Statements No. 21 and No. 34*, No. 38, *Certain Financial Statement Note Disclosures* and No. 39, *Determining Whether Certain Organizations are Component Units..*

The budgetary and financial accounts of the District have been recorded and maintained in accordance with the California Community College's Budget and Accounting Manual.

B. Measurement Focus and Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Under this model, the District’s basic financial statements provide a comprehensive look at its financial activities. Accordingly, the District’s basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flow. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all eligibility requirements imposed by the grantor have been met. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the District will utilize restricted resources first, and then unrestricted resources as needed.

All intra-district transactions have been eliminated.

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 not to apply FASB pronouncements issued after that date.

C. Cash and Cash Equivalents

For purposes of reporting cash flows, all cash, and investments (both restricted and unrestricted) with a maturity of 90 days or less are considered to be cash and cash equivalents.

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Receivables

Receivables consist of amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenses based on a contract or agreement between the District and the funding source. The District does not record an allowance for uncollectible accounts because collectibility of the receivables from such sources is probable. When receivables are determined to be uncollectible, a direct write-off is recorded.

E. Inventory

Inventories, primarily bookstore merchandise, are carried at cost using the average cost method. The cost is recognized as expense as the inventory is consumed.

F. Bond Issuance Costs

Bond issuance costs are amortized over the term of the debt using the straight-line method.

G. Deferred Amount on Refunding

Deferred amount on refunding is amortized using the straight-line method over the remaining life of the new debt.

H. Capital Assets

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 for equipment and \$150,000 for leasehold improvements. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are expensed as incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Site improvements	50 years
Buildings and improvements	50 years
Machinery & equipment	3-8 years

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes

Property taxes are assessed and levied by the County of Orange on the fourth Monday of September of each year and they become an enforceable lien on real property on January 1 of the next year. Secured taxes are payable to the District throughout the year with the largest amounts received in two installments, on December 21 and April 19. Unsecured property taxes are payable in one installment on or before August 31. Tax remittances are paid net of a County administrative charge.

The District has reported property tax revenue only for taxes levied and due within the fiscal year. The District participates in the Orange County Teeter Plan and is paid all current year taxes in the year levied. A receivable has not been recognized in the basic financial statements for property taxes due to the fact that any receivable would be offset by a payable to the State for state apportionment purposes.

J. Deferred Revenue

Deferred revenue is recorded to the extent that cash received from federal programs, state special projects, other programs and fees have not been earned.

K. Amounts Held for Others

Amounts held for others represent funds held by the District for various groups and departments of the District including the Associated Students Bodies at all three campuses and Orange Coast College Ancillary Fund.

L. Noncurrent Liabilities

Noncurrent liabilities include compensated absences, claims payable, bonds payable and premiums with maturities greater than one year. Bond premiums are amortized over the life of the bonds using the straight-line method.

M. Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the District financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulate sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day unused sick leave.

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Tuition and Fees

Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net assets. Scholarship discounts and allowances represent the difference between the tuition and fee charged by the District and the amount that is waived by the Board of Governor's Grant (BOGG) on the student's behalf.

O. Net Assets

The District's net assets are classified as follows:

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted: Nonexpendable – Net assets subject to externally imposed stipulations that they be maintained permanently by the District. The District currently does not have any net assets in this category. Expendable – Net assets whose use by the District is subject to externally imposed restrictions.

Unrestricted: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

P. Operating and Nonoperating Transactions

The District has classified its revenues and expenses as either operating or nonoperating. Revenues and expenses are classified according to the following criteria:

Operating – these revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees, net of scholarship discounts and allowances, sales and services of auxiliary enterprises, most federal, state, local grants and contracts, federal appropriations and interest on institutional student loans. Operating expenses include salaries, employee benefits, supplies, materials, services, utilities and depreciation.

Nonoperating – these revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources such as state apportionments, property taxes and investment income. Nonoperating expense includes interest on capital asset - related debt.

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Use of Estimates

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

Discretely Presented Component Units – Foundations

A. Classification of Net Assets

The Foundations report information regarding their financial position and activities according to three classes of net assets:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

B. Contributions

Contributions, including unconditional promises to give, are recorded when made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

C. Recognition of Donor Restricted Contributions

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Investments

Investments are recorded at fair value based on quoted market values.

E. Investment in Coast Community College District Enterprise Corporation

The Coast Community College District Foundation is a 50 percent shareholder in the Corporation which is being accounted for using the equity method.

F. Donated Assets, Services and Facilities

The Foundations record the value of services and facilities when there is an objective basis available to measure their value. Donated facilities are reflected as support in the financial statements at fair market value. Donated services are recorded at fair value when a specialized skill is provided that would have otherwise been purchased or paid. Donated assets are not reflected in the accompanying statements since all donated assets are accepted by the Foundations on behalf of the District's colleges.

G. Charter Fees

The Orange Coast College Foundation receives donated assets and leases them to third parties for a fee. These leases are operating leases with an option to purchase at the end of the lease. Therefore, the lease payments are recognized as revenue as earned, and the sale is recognized when the option is exercised. Any portion of charter fees paid in advance is deferred.

H. Capital Assets and Depreciation

Purchased assets are recorded at cost and donated assets are recorded at their fair market value when donated. Depreciation for equipment and property in use is computed on a straight-line basis over an estimated useful life. The Orange Coast College Foundation capitalizes all expenditures for equipment in excess of \$500. Idle assets or assets held for sale are not depreciated. The estimated useful life is computed as follows:

Buildings and improvements	14-20 years
Boats	2 -25 years
Equipment	4 - 6 years

I. Donated Inventory Available For Sale

Donated inventory available for sale recorded in fair market value includes boats and equipment held for auction and are not used for the sailing program.

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Unit – Coast Community College Enterprise Corporation

A. Equipment

Equipment is stated at cost. Depreciation is being provided over the estimated useful lives of the assets on the straight- line method ranging from five to seven years.

B. Fair Value of Financial Instruments

The Corporation has certain financial instruments, which include cash, accounts payable, and accrued expense. The carrying amounts of these financial instruments approximate fair value because of their short maturities.

C. Revenue Recognition

The Corporation records rental revenue when it is earned, which occurs at the time of use of the rental facilities. Rental receipts received in advance are deferred until the facilities are used.

D. Income Taxes

The Corporation provides for income taxes under the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of changes in tax rates is recognized in income in the period that includes the enactment dates. Valuation allowances are provided against deferred tax assets and liabilities when it is more likely than not that some portion of all of the deferred tax asset will not be realized.

E. Comprehensive Income

During the year ended June 30, 2007, there were no items of comprehensive income or loss; therefore, comprehensive income is the same as net income for the year.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 3 – CASH AND INVESTMENTS

Total cash and investments as of June 30, 2007 are as follows:

District

Cash and investments:

Deposits	\$ 22,016,644
Pooled funds	<u>268,180,747</u>
Total cash and investments	<u>\$ 290,197,391</u>

Component Units – Foundations

Cash and cash investments:

Deposits	\$ 2,830,438
Investments	<u>15,618,535</u>
Total cash and cash investments	<u>\$ 18,448,973</u>

Component Unit – Corporation

Cash:

Deposits	\$ 903,271
Total cash	<u>\$ 903,271</u>

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Deposits

A) District

The *California Government Code* requires California banks and savings and loan associations to secure the District's deposits. Obligations pledged to secure deposits must be delivered to an institution other than the institution in which the deposit is made; however, the trust department of the same institution may hold them. Written custodial agreements are required that provide, among other things, that the collateral securities are held separate from the assets of the custodial institution. The pledge to secure deposits is administered by the California Superintendent of Banks. The market value of pledged securities must equal 110 percent of all deposits not covered by federal deposit insurance if obligations of the United States and its agencies, or obligations of the State or its municipalities, school districts, and district corporations are pledged. California law also allows financial institutions to secure an agency's deposits by pledging first trust deeds or first mortgages having a value of 150 percent of an agency's total deposits. All such collateral is considered to be held by the pledging financial institutions' trust departments or agents in the name of the District.

At June 30, 2007, cash held by financial institutions for the District of \$23,335,377 was entirely insured and collateralized as described above. The District's carrying amount at June 30, 2007 was \$22,016,644. The difference between the bank balance and carrying amount is due to the deposit in transit and/or outstanding checks as of June 30, 2007.

B) Restricted Cash

Restricted cash represents amount deposited with the County Treasurer for debt service payments in the following year and student financial aid Perkins loan balance.

C) Component Units – Foundations

The foundations also have cash deposits that are contractually insured and collateralized in accordance with *California Government Code* requirements for financial institutions to secure its deposits by pledging government securities as collateral. The market value of pledged securities is equal to 110 percent of an agency's deposits. At June 30, 2007, the bank balance for the foundations of \$3,151,958 was entirely insured and collateralized as described above. The book balance for the foundations was \$2,830,438.

D) Component Unit – Corporation

As of June 30, 2007, the Corporation has cash deposits (bank balance) with one financial institution of \$1,330,186. The FDIC limits each corporation to a recovery of \$100,000 for all accounts at one financial institution. Therefore, the Corporation is subject to the risk of loss for amounts in excess of this limit. The book balance of these deposits is \$903,271.

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Pooled Funds

County Treasury

A significant portion of the District’s cash balance is deposited with the Orange County Treasury as required by state law. The County Treasury is sponsored and administered by the County of Orange and oversight is conducted by the County Treasury Oversight Committee. The fair value of the position in the pool is the same as the value of the pool shares. The Treasurer maintains the Pool for the County and other non-County entities for the purpose of benefiting from economies of scale through pooled investment activities. Interest earned on such pooled cash balances is distributed to the District based upon the average cash balance during the distribution period. At June 30, 2007, the District had \$268,180,747 deposited with the County Treasury. The weighted average maturity of investments in the Orange County Educational Pool was 0.60 years at June 30, 2007. The Orange County Educational Pool does not maintain a credit rating.

Investments

Component Units

As of June 30, 2007, the District and component units had the following investments:

	<u>Fair Value</u>	<u>Interest rate Range (%)</u>	<u>Weighted Average Maturity (Yrs)</u>
Investments:			
Money Market Funds	\$ 3,046,556	Variable, 5.24%-5.34%	N/A
Common Stock	4,788,194	N/A	N/A
Fixed Income Mutual Fund	3,195,037	2.68%-5.21%	4.90
Fixed Income Securities	913,801	Variable, 5.44%-5.45%	1.46
Treasury Exchange Traded Fund	33,812	4.38%-8.13%	N/A
Exchange Traded Fund	3,230,636	N/A	N/A
Certificates of Deposit	410,499	4.40%-5.50%	0.44
Total Investments	\$ 15,618,535		2.55

**COAST COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk refers to the risk that changes in interest rates will affect the fair value of an investment. The District and its component units do not have a policy regarding interest rate risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District or its component units will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year-end, the District's external investment pools and specific investments did not have any securities exposed to custodial credit risk and there was no securities lending.

Concentration of Credit Risk

At June 30, 2007, the District's component units did not have a written policy limiting a percentage of total investments to be invested in any one issuer. Per GASB Statement No. 40, the component units are required to disclose any investments over 5% of total investments in any one issuer. To limit concentration of credit risk, the component units investment policy limitations are outlined below:

<u>Foundations</u>	<u>Cash Equivalents</u>	<u>Fixed Income Securities</u>	<u>Equities</u>
Orange Coast College	2%	33%	65%
Golden West College	No Limit	No Limit	No Limit
Coastline Community College	100%	50%	50%

In addition, the three foundations do not have any written policies limiting their investment in a single issuer. Therefore, the District was in compliance with its asset allocation guidelines that set forth the maximum percentage that the component units may invest in any one-investment type.

Credit Risk

The investment policies of the District's component units set forth the minimum acceptable credit ratings from the nationally recognized statistical rating organizations. For investment instruments, the Foundations limit their investments to Moody's, or the like, ratings to have a minimum of the following ratings:

<u>Foundations</u>	<u>Cash Equivalents</u>	<u>Fixed Income Securities</u>
Orange Coast College	Not specified	Not specified
Golden West College	Not specified	Not specified
Coastline Community College	A	Not specified

As of June 30, 2007, the District's component units are in compliance with its investment policies regarding credit risk and *California Government Codes 53651*.

**COAST COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

At June 30, 2007, the credit ratings of investments by investment type were as follows (NA means Not Applicable):

Component Units:

<u>Investments</u>	<u>Moody's</u>	<u>% of Portfolio</u>
Money Market Funds	NA	19%
Common Stock	NA	31%
Fixed Income Mutual Fund	A	21%
Fixed Income Securities	A2	6%
Treasury Exchange Treasury Fund	NR	0%
Exchange Traded Fund	NA	21%
Certificates of Deposit	NR	2%
Total Investments		<u>100%</u>

NOTE 4 – RECEIVABLES

Receivables for the District consisted primarily of intergovernmental grants, entitlements, interest and other local sources. Except for student loans, all receivables are considered collectible in full within one year.

The following is a summary of receivables at June 30, 2007:

Federal programs	\$ 1,514,087
State revenues	16,275,122
Local revenues	<u>4,171,927</u>
Total	<u>\$ 21,961,136</u>

The following is summary of restricted receivables at June 30, 2007:

Student loans	<u>\$ 3,583,715</u>
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**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 5 –CAPITAL ASSETS

A schedule of changes in capital assets for the fiscal year ended June 30, 2007 is:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Capital assets, non-depreciable:				
Land	\$ 9,150,482	\$ -	\$ -	\$ 9,150,482
Construction in progress	49,678,615	69,512,220	(48,323,296)	70,867,539
Total capital assets, non-depreciable	58,829,097	69,512,220	(48,323,296)	80,018,021
Capital assets, depreciable:				
Buildings	192,292,880	48,323,296	-	240,616,176
Site improvements	29,882,203	-	-	29,882,203
Equipment	27,780,440	1,971,563	(544,552)	29,207,451
Vehicles	2,963,135	118,898	-	3,082,033
Total capital assets, depreciable	252,918,658	50,413,757	(544,552)	302,787,863
Less accumulated depreciation for:				
Buildings	96,207,908	4,356,922	-	100,564,830
Site improvements	27,977,459	229,795	-	28,207,254
Equipment	21,813,638	2,684,849	(542,692)	23,955,795
Vehicles	2,215,653	174,332	-	2,389,985
Total accumulated depreciation	148,214,658	7,445,898	(542,692)	155,117,864
Total capital assets, depreciable, net	104,704,000	42,967,859	(1,860)	147,669,999
Total capital assets, net	\$163,533,097	\$ 112,480,079	\$ (48,325,156)	\$ 227,688,020

Depreciation expense for the year was \$7,445,898 for the District.

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 5 –CAPITAL ASSETS (CONTINUED)

Component Units

Capital asset activity for the Foundations for the year ended June 30, 2007, is as follows:

	Balance July 1, 2006*	Additions	Deductions	Balance June 30, 2007
Capital assets, non-depreciable:				
Land	\$ 446,550	\$ -	\$ -	\$ 446,550
Total capital assets, non-depreciable	446,550	-	-	446,550
Capital assets, depreciable:				
Building	266,878	-	-	266,878
Boats	6,035,187	1,553,500	342,400	7,246,287
Equipment	47,233	-	-	47,233
Total capital assets, depreciable	6,349,298	1,553,500	342,400	7,560,398
Less accumulated depreciation for:				
Building	36,420	16,373	-	52,793
Boats	1,639,462	577,904	135,864	2,081,502
Equipment	22,445	9,396	-	31,841
Total accumulated depreciation	1,698,327	603,673	135,864	2,166,136
Total capital assets, depreciable, net	4,650,971	949,827	206,536	5,394,262
Total capital assets, net	\$ 5,097,521	\$ 949,827	\$ 206,536	\$ 5,840,812

* The beginning balance of July 1, 2006 was restated.

Capital asset activity for the Corporation for the year ended June 30, 2007, is as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Capital assets, depreciable:				
Equipment	\$ 493,078	\$ 8,093	\$ -	\$ 501,171
Less accumulated depreciation for:				
Equipment	256,900	59,861	-	316,761
Total accumulated depreciation	256,900	59,861	-	316,761
Total capital assets, depreciable, net	\$ 236,178	\$ (51,768)	\$ -	\$ 184,410

Depreciation expenses for the year were \$603,673 and \$59,861 for the Foundations and the Corporation, respectively.

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 6 – NOTES RECEIVABLE

The District has a note receivable in the amount of \$17,500,000 for the sale of KOCE and the KOCE-TV operating license in March 17, 2004. The schedule of payments will be made to the District over the next 29 years with the final payment being made on or before November 1, 2034. The first scheduled payment will be received on November 1, 2009. All amounts have been deemed fully collectible.

NOTE 7 – PLEDGES RECEIVABLE – COMPONENT UNITS

Pledges receivable consist of the following unconditional promises to give:

Amount due in:	
Less than one year	\$ -
One to five years	1,036,127
Total	<u>1,036,127</u>
Less: Bad debt allowance	280,000
Less: Discount to present value (4.58%)	239,368
Total	<u><u>\$ 516,759</u></u>

NOTE 8 – ACCOUNTS PAYABLE

The following is a summary of accounts payable at June 30, 2007:

Claims	\$ 724,270
Construction	10,326,279
Other	5,439,131
Total	<u><u>\$ 16,489,680</u></u>

NOTE 9 – DEFERRED REVENUE

Deferred revenue consisted of the following at June 30, 2007:

Federal financial assistance	\$ 188,688
State financial assistance	1,799,813
Lottery	352,654
Enrollment fees	2,096,764
Other local	1,748,583
Total	<u><u>\$ 6,186,502</u></u>

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 10 – LONG-TERM LIABILITIES

Activity for the fiscal year ended June 30, 2007 is:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007	Within One Year
Bonds and notes payable					
2003 General obligation bonds	\$ 28,485,000	\$ -	\$ 4,865,000	\$ 23,620,000	\$ 2,770,000
Unamortized premium	1,379,620	-	85,780	1,293,840	85,780
2005 General obligation refunding bonds					
Unamortized premium	74,233,867	-	4,650,000	69,583,867	2,175,000
Deferred amount for refunding	9,660,930	-	600,677	9,060,253	600,677
2006 B General Obligation Bonds	(2,388,176)	-	(148,488)	(2,239,688)	(148,488)
Unamortized Premium	-	149,859,831	-	149,859,831	500,000
2006 C General Obligation Bonds	-	2,019,604	54,450	1,965,154	59,400
Unamortized Premium	-	110,140,169	-	110,140,169	-
Unamortized Premium	-	1,484,317	40,018	1,444,299	43,656
Total bond payable	<u>111,371,241</u>	<u>263,503,921</u>	<u>10,147,437</u>	<u>364,727,725</u>	<u>6,086,025</u>
Certificates of participation	6,695,000	-	6,695,000	-	-
Notes payable	1,747,227	-	1,747,227	-	-
Total bonds and notes payable	<u>119,813,468</u>	<u>263,503,921</u>	<u>18,589,664</u>	<u>364,727,725</u>	<u>6,086,025</u>
Other Liabilities					
Compensated absences	4,201,527	343,766 *	-	4,545,293	741,457
Total other liabilities	<u>4,201,527</u>	<u>343,766</u>	<u>-</u>	<u>4,545,293</u>	<u>741,457</u>
Total long term liabilities	<u>\$ 124,014,995</u>	<u>\$ 263,847,687</u>	<u>\$ 18,589,664</u>	<u>369,273,018</u>	<u>\$ 6,827,482</u>
Due within one year				6,827,482	
Total Long-Term Debt				<u>\$ 362,445,536</u>	

* Represents the net increase.

A. Bonds Payable

On November 5, 2002 the voters of the District approved the issuance of \$370,000,000 general obligation bonds to be used to finance the acquisition, construction and modernization of certain property and District facilities.

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 10 – LONG-TERM LIABILITIES (CONTINUED)

A. Bonds Payable (Continued)

2003A General Obligation Bonds

On May 6, 2003, \$110,000,000 of Coast Community College District, Election of 2002, Series 2003A Bonds were issued with a final maturity date of August 1, 2016 and interest rates ranging from 2.5% to 5%, depending on the maturity of the related bonds.

2005 General Obligation Refunding Bonds

On April 5, 2005, \$74,893,867 of Coast Community College District, 2005 General Obligation Refunding Bonds were issued to advance refund and defease the District’s Election of 2002, Tax-Exempt General Obligation Bonds, Series 2003A maturing on and after August 1, 2017, and to pay all legal, financial and contingent costs in connection with the issuance of the Bonds. The Refunding Bonds defeased \$ 69,545,000 of the old debt with a final maturity date of August 1, 2027. Interest rates range from 3.00% to 5.00%, depending on the maturity of the related bonds. Interest accrues from March 10, 2005 and is payable semiannually on February 1 and August 1 of each year commencing on August 1, 2005. As of June 30, 2007, the outstanding balance of the defeased bonds is \$73,327,940.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,536,664. This difference, reported in the accompanying financial statements as a deferred amount on refunding, is being charged to operations through the year 2027 using the straight-line method.

The outstanding principal balance of the 2003A and 2005 general obligation bonds at June 30, 2007 was \$93,203,867.

The 2003 general obligation bonds mature through fiscal year ended 2017 as follows:

Year Ending June 30,	Principal Payment	Interest Payment	Total
2008	\$ 2,770,000	\$ 960,575	\$ 3,730,575
2009	2,855,000	861,925	3,716,925
2010	2,970,000	738,000	3,708,000
2011	3,105,000	609,075	3,714,075
2012	3,225,000	482,475	3,707,475
2013-2017	8,695,000	658,988	9,353,988
Totals	<u>\$ 23,620,000</u>	<u>\$ 4,311,038</u>	<u>\$ 27,931,038</u>

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 10 – LONG-TERM LIABILITIES (CONTINUED)

A. Bonds Payable (Continued)

The 2005 general obligation refunding bonds mature through fiscal year ended 2023 as follows:

Year Ending June 30,	Principal Payment	Interest Payment	Total
2008	\$ 2,175,000	\$ 3,146,675	\$ 5,321,675
2009	2,670,000	3,074,000	5,744,000
2010	3,190,000	2,950,213	6,140,213
2011	2,995,000	2,814,400	5,809,400
2012	3,575,000	2,685,013	6,260,013
2013-2017	26,855,000	9,994,775	36,849,775
2018-2022	27,090,527	11,170,848	38,261,375
2023	1,033,340	6,746,660	7,780,000
Totals	<u>\$ 69,583,867</u>	<u>\$ 42,582,584</u>	<u>\$ 112,166,451</u>

2006B General Obligation Bonds

On August 1, 2006, \$149,859,831 of 2006B General Obligation Bonds were issued. The bonds have a final maturity dated August 1, 2030 and interest rates ranging from 3.65% to 5.08% depending on the maturity of the related bonds. Interest accrues from February 1, 2006 and is payable semiannually on February 1 and August 1 of each year commencing on February 1, 2007.

The 2006 B general obligation refunding bonds mature through fiscal year ended 2031 as follows:

Year Ending June 30,	Principal Payment	Interest Payment	Total
2008	\$ 500,000	\$ 5,175,190	\$ 5,675,190
2009	565,000	4,990,124	5,555,124
2010	790,000	4,969,219	5,759,219
2011	1,850,000	4,939,594	6,789,594
2012	2,165,000	4,847,094	7,012,094
2013-2017	10,495,000	22,615,856	33,110,856
2018-2022	34,045,000	18,404,750	52,449,750
2023-2027	70,012,018	37,347,982	107,360,000
2028-2032	29,437,813	60,952,187	90,390,000
Totals	<u>\$ 149,859,831</u>	<u>\$ 164,241,996</u>	<u>\$ 314,101,827</u>

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 10 – LONG-TERM LIABILITIES (CONTINUED)

A. Bonds Payable (Continued)

2006C General Obligation Bonds

On August 1, 2006, \$110,140,169 of General Obligation Bonds were issued. The bonds have a final maturity dated August 1, 2036 and interest rates ranging from 5.00% to 5.50% depending on the maturity of the related bonds. Interest accrues from February 1, 2006 and is payable semiannually on February 1 and August 1 of each year commencing on August 1, 2014.

The 2006 C general obligation bonds mature through fiscal year ended 2037 as follows:

Year Ending June 30,	Principal Payment	Interest Payment	Total
2008	\$ -	\$ -	\$ -
2009	-	-	-
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013-2017	-	16,983,000	16,983,000
2018-2022	-	28,305,000	28,305,000
2023-2027	-	28,305,000	28,305,000
2028-2032	46,491,648	25,248,500	71,740,148
2033-2037	<u>63,648,521</u>	<u>112,075,055</u>	<u>175,723,576</u>
Totals	<u>\$ 110,140,169</u>	<u>\$ 210,916,555</u>	<u>\$ 321,056,724</u>

Bonds Summary:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003 General obligation bonds	\$ 23,620,000	\$ 4,311,038	\$ 27,931,038
2005 General obligation refunding bonds	69,583,867	42,582,584	112,166,451
2006B&C General obligation bonds	260,000,000	375,158,551	635,158,551
Totals	<u>\$ 353,203,867</u>	<u>\$ 422,052,173</u>	<u>\$ 775,256,040</u>

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, property liability, health benefits, errors and omissions and natural disasters. These risks are addressed through a combination of participation in public entity risk pools, commercial insurance and self-insurance. The District is insured for workers' compensation claims and property and liability claims through a combination of self-insurance and commercial insurance.

The District is also a member of the Statewide Association of Community Colleges (SWACC), Alliance of Schools for Cooperative Insurance (ASCIP) and Schools Excess Liability Fund (SELF), public entity risk pools. The District is subject to various deductible amounts and pays premiums assessed by the pools. The pools are responsible for claims beyond the deductible amount of commercial insurance and provide for high-level umbrella type coverage above certain limits. The pools are operated separately and are independently accountable for their fiscal matters. The pools are not component units of the District for financial reporting purposes. A copy of the most recent audited financial statements can be obtained from SWACC, ASCIP and SELF.

Estimates of liabilities for claims, both reported and unreported, for workers' compensation liability claims are established by the District's external administrator. The estimates are based on the continuous evaluation of the status of each claim. Estimates of liabilities for the property and liability claims are based on an analysis of individual claims. Management believes that the amounts accrued are adequate to cover such costs.

A number of claims and suits are pending against the District arising out of proposed claim settlements. In the opinion of District administration, the related liability, if any, will not materially affect the financial position of the District. No settlements exceeded insurance coverage during the last three years.

As of June 30, 2007 and 2006, liabilities for claims amounted to \$2,176,294 and \$2,590,717, respectively. Changes in the claims liability amount in the fiscal years 2007 and 2006 are presented below:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Liability
2006/07				
Workers' compensation	\$ 574,212	\$ 660,336	\$ 702,165	\$ 532,383
Health and Benefits	2,016,505	9,612,302	9,984,896	1,643,911
Total claims liability	<u>\$ 2,590,717</u>	<u>\$ 10,272,638</u>	<u>\$ 10,687,061</u>	<u>\$ 2,176,294</u>

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Liability
2005/06				
Workers' compensation	\$ 356,055	\$ 487,420	\$ 269,263	\$ 574,212
Health and Benefits	1,744,064	9,751,711	9,479,270	2,016,505
Total claims liability	<u>\$ 2,100,119</u>	<u>\$ 10,239,131</u>	<u>\$ 9,748,533</u>	<u>\$ 2,590,717</u>

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 12 –FUNCTIONAL EXPENSES CLASSIFICATIONS

The District’s operating expenses by functional classification for the fiscal year ended June 30, 2007 are:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Utilities	Depreciation	Total
Instructional activities	\$ 77,871,128	\$ 3,193,364	\$ 380,665	\$ -	\$ 81,445,157
Academic support	21,745,219	5,747,636	685,147	-	28,178,002
Student services	21,701,138	1,717,700	204,758	-	23,623,596
Operation and maintenance	8,071,555	5,817,457	693,470	-	14,582,482
Institutional support services	23,347,455	7,172,772	855,031	-	31,375,258
Community services and economic development	326,612	5,965	712	-	333,289
Ancillary services and operations	20,041,617	13,020,323	1,552,088	-	34,614,028
Student aid	-	18,537,501	-	-	18,537,501
Physical property and related activities	888,675	6,007,232	716,092	-	7,611,999
Depreciation	-	-	-	7,445,898	7,445,898
	<u>\$ 173,993,399</u>	<u>\$ 61,219,950</u>	<u>\$ 5,087,963</u>	<u>\$ 7,445,898</u>	<u>\$ 247,747,210</u>

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

A. State Teachers Retirement System (STRS)

Plan Description

The District contributes to the State Teachers’ Retirement System (STRS), a cost-sharing multiple-employer public employee defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. This plan covers faculty and certified employees. 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 for the entire system. Copies of the STRS’ annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8.00% of their salary for the fiscal year ended June 30, 2007 and the District is required to contribute a statutorily determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Retirement Board. The required employer contribution rate for the fiscal year ended June 30, 2007 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$5,280,921, \$4,706,854, and \$4,419,099, respectively and equal 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

B. California Public Employees' Retirement System (CalPERS)

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 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. This plan covers classified employees. 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 financial statements and required supplementary information for the entire system. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office located at 400 Q Street, Sacramento, California 92514.

Funding Policy

Active plan members are required to contribute 7.00% 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 contribution requirements of the plan members are established by State statute. The CalPERS required employer contribution rate for fiscal year ended June 30, 2007 was 9.124%. Contributions of \$4,897,767, \$4,483,558, and \$4,646,854, were made for the fiscal years ended June 30, 2007, 2006 and 2005, respectively. Contributions made were 100% of the required contributions for each year.

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

C. Deferred Compensation

The District offers its employees two deferred compensation plans created in accordance with the Internal Revenue Code Sections 457. The plans are available to all District employees, with the exception of employees who normally work less than 20 hours per week, employees whose salary reduction would not exceed \$200 per year, and employees who are students enrolled and regularly attend classes of the District. Depending on the plan, the deferred compensation is not available to employees until termination, retirement, death, disability, hardship, or unforeseeable emergency. All assets of the 457 plans are held in trusts for the exclusive benefit of participants. All assets of the 403(b) plan are individually owned by participants.

D. Public Agency Retirement System (PARS)

Federal law requires that public sector employees who are not members of their employer's existing retirement system be covered by Social Security or an alternate plan. In fiscal year 2007, PARS required employees to contribute 6.2% of their salary and the District was required to contribute 1.3%. As of June 30, 2007, 960 employees participated in PARS. The District's contributions to PARS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$134,042, \$120,429 and \$110,202, respectively.

NOTE 14 – RETIREE HEALTH BENEFITS

Plan Description

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 CalPERS, the eligibility requirement is a minimum age of 55 and a minimum ten years of continuous service with the District. Additional age and service criteria may be required. For employees participating in STRS, the eligibility requirement is a minimum age of 55 with ten years of service. The District recognizes expenditures for these postemployment health benefits on a pay-as-you-go-basis. The expenditure amount for the fiscal year ended June 30, 2007 was \$7,824,000.

Irrevocable Trust

In fiscal year 2007, the District recorded a special item of \$19,000,000 for contributions made to an irrevocable trust administrated by the Retiree Health Benefit Program Joint Exercise of Powers Agreement (JPA) organized by the Community College League of California. The District is required to report in conformity with GASB 45 beginning with the fiscal year ending June 30, 2008.

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 14 – RETIREE HEALTH BENEFITS (CONTINUED)

As of June 30, 2007, the total investment balance in the JPA was \$20,255,541 and no payments have been made out of this trust. The JPA is the administrator of the irrevocable trust for the District. The JPA is also responsible for issuing a financial statement in accordance of GASB No.43 requirements.

Actuarial Valuation (UNAUDITED)

In August 2006, the District received a May 1, 2006 actuarial valuation for Retiree Health Liabilities (the “Report”) from an outside consultant, Total Compensation System, Inc. The Report is based upon data as of May 1, 2006. The Report estimates the actuarial accrued liability at approximately \$70,310,981. No plan assets were included as part of the calculation.

NOTE 15 – UNRESTRICTED NET ASSETS

The following are Board of Trustees’ designations of unrestricted net assets at June 30, 2007:

Retiree benefits and self insurance	\$ 28,420,319
Amount due from the sale of KOCE	18,690,857
Bookstore	1,413,291
Other special revenue funds	8,083,904
Reserve for economic uncertainties	8,766,992
Total designated unrestricted net assets	\$ 65,375,363

NOTE 16 - COMMITMENTS AND CONTINGENCIES

A. Sick Leave

Employees do not gain a vested right to accumulated sick leave, however they are entitled to service credit for the calculation of their retirement benefits. The District tracks the sick leave balance for each employee and reports it to PERS or STRS at retirement to determine the service credit.

B. Lawsuits

The District is a defendant in various lawsuits. It is the opinion of the District’s counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District. The lawsuits related to KOCE-TV were dismissed with prejudice and without liability to the District on July 2, 2007.

C. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements will not be material.

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

D. Construction Contracts

The District has outstanding construction commitments of \$68,515,883 at June 30, 2007.

NOTE 17 – LEASES

A. Operating lease revenue

The District entered into 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 September 1, 2006 for a term of 25 years. The first three years of payments, totaling \$1,440,000, were made to the District in advance when the lease became effective. The remaining future payments are as follows:

<u>Year Ending June 30,</u>	<u>Leases</u>
2008	\$ -
2009	-
2010	400,000
2011	480,000
2012	480,000
2013-17	2,400,000
2018-22	2,400,000
2023-27	2,400,000
2028-32	2,400,000
Total	<u>\$ 10,960,000</u>

B. Operating lease expense

The District has operating leases for equipment. The operating lease expense for the year ended June 30, 2007 totaled \$742,364. The remaining future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Leases</u>
2008	\$ 434,255
2009	255,987
2010	173,712
2011	31,879
Total	<u>\$ 895,833</u>

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 18 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS
AUTHORITIES**

The District participates in four Joint Powers Agreement (JPA) entities, the Schools Excess Liability Fund (SELF), the Statewide Association of Community Colleges (SWACC), the Benefits Liability Excess Fund (BeLiEF) and the Statewide Educational Wrap Up Program (SEWUP). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes. However, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

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

SWACC provides liability and property insurance for approximately nineteen community colleges. SWACC is governed by a board comprised of a member of each of the participating districts. The board controls the operations of SWACC, including selection of management and approval of members beyond their representation on the board. Each member shares surpluses and deficits proportionately to its participation in SWACC.

BeLiEF provides a program of medical stop-loss and other employee benefit claims against public educational agencies. BeLiEF is governed by a board comprised of a member of each of the participating districts. The board controls the operations of BeLiEF, including selection of management and approval of members beyond their representation on the board. The members are assessed premiums based upon each negotiation between BeLiEF and the stop-loss insurer.

SEWUP provides enhanced protection against construction losses that could negatively impact school districts in California and to help maximize the use of public funding for school construction projects in California. Membership is comprised of 435 districts. Premiums are determined for each construction project or projects. Payment of the premium is due prior to the binding of coverage. SEWUP does not generate a financial statement because it is a pass-through program and has no member contributions or pool fund balance.

NOTE 19 – RELATED PARTIES

The District provides administrative services to the Foundations. The district pays salaries and benefits of the executive director, secretary, and accountant. In addition, working space for employees who perform administrative services for the Foundations are provided by the District at no charge. The donated services for fiscal year 2007 were \$914,152. The donated facilities for fiscal year 2007 were \$45,674. Both have been reflected in the financial statements as donated services and facilities.

**COAST COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 20 – INCOME TAX – COMPONENT UNIT - CORPORATION

The provision for income taxes consists of the following:

Current		
Federal	\$	200,282
State		50,450
Total		<u>250,732</u>
Deferred		
Federal		(20,725)
State		3,247
Total		<u>(17,478)</u>
Total provision for income taxes	\$	<u><u>233,254</u></u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Corporation deferred tax assets and liabilities are as follows:

Deferred Tax Assets:		
Contributions Carryforwards	\$	1,952
Deferred Revenue		175,382
Other		12,569
Total Deferred Tax Asset		<u>189,903</u>
Deferred Tax Liability:		
Contributions Carryforwards		1,952
Deferred Revenue		175,382
Depreciation		46,158
Other		102
Total Deferred Tax Liability		<u>223,594</u>
Deferred Tax Liability, Net	\$	<u><u>(33,691)</u></u>

During the fiscal year ended June 30, 2007, the Corporation did not make any estimated tax payments.

NOTE 21 – RESTATEMENT OF BEGINNING NET ASSETS – COMPONENT UNIT - FOUNDATIONS

The Orange Coast College Foundation made changes to correct the beginning net assets balance, deferred revenue, capital assets and donated inventory available for sale balance after the issuance of the prior year District audited financials.

The following summarizes the adjustments to beginning net assets at June 30, 2006:

	Unrestricted	Temporarily Restricted
Net assets at June 30, 2006 as previously reported	\$ 2,099,276	\$ 20,584,329
Less: Capital assets and donated inventory available for sale	-	(1,282,668)
Add: Deferred revenue	1,479	167,135
Net assets at June 30, 2006 as restated	<u>\$ 2,100,755</u>	<u>\$ 19,468,796</u>



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INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Board of Trustees
Coast Community College District
Costa Mesa, California

We have audited the accompanying financial statements of the business type activities and aggregate discreetly presented component units of the of the Coast Community College District (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2007. 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 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 that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, presented for purposes of additional analysis, is not a required part of the basic financial statements and includes the following:

- Schedule of Expenditures of Federal Awards required by OMB Circular A-133
- Schedule of Expenditures of State Awards
- Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance
- Reconciliation of Annual Financial and Budget Report (CCFS-311) with District accounting records
- Annual Financial and Budget Report (CCFS-311) and Reconciliation with the Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets
- Combining Statement of Financial Position and Statement of Activities - Discretely Presented Component Units - Foundations
- Schedule of Financial Trends and Analysis of the General Fund
- Largest 2006-2007 Local Secured Taxpayers

- Note to the Supplementary Information

The information in the supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Macias Jini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
December 7, 2007

SUPPLEMENTARY INFORMATION

**COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Awards

<u>Federal Agency/Passthrough Entity/Program Name</u>	<u>Federal Catalog Number</u>	<u>Program Expenditures</u>
U.S. Department of Education (USDE):		
Direct:		
Student Financial Aid Cluster:		
Pell Grants	84.063	\$ 15,221,524
Supplemental Education Opportunity Grants (S.E.O.G.)	84.007	435,338
Federal Work Study Program	84.032	391,593
5% Administrative Allowance	84.063	111,713
Academic Competitiveness Grant	84.375A	86,250
Total Student Financial Aid Cluster		<u>16,246,418</u>
FAC Horizons Scholarships	84.000	4,528
English Literacy & Civics Ed	84.002A	23,266
North American Enterprise	84.116N	80,764
North American Renew Energy Tech	84.116N	9,423
Dimensional Environmental Education	84.116N	25,379
ESL - 231 Grant	84.002A	70,200
Vocational and Applied Technology Education Act	84.048	1,571,240
Total direct from U.S. Department of Education		<u>18,031,218</u>
U.S. Department of Health and Human Services (HHS):		
Direct:		
TANF-Transitional Assistance Needy Family	93.558	124,548
Passed through California Department of Education		
Child Development Programs	93.575	30,125
Child Care Federal Block Grant	93.596	56,777
Total U.S. Department of HHS		<u>211,450</u>
U.S. Department of Labor (DOL):		
Passed through County of Orange Housing and Community Services Department		
Workforce Investment Act (WIA) Cluster:		
WIA - Disadvantaged Adult Title II	17.258	1,275,800
WIA - Dislocated Worker	17.260	2,322,306
Total WIA Cluster		<u>3,598,106</u>
WIA - Nursing	17.207	508,052
WIA - Senior Aide	17.235	91,778
WIA - Navigator Grants	17.261	84,807
Total U.S. Department of Labor:		<u>4,282,743</u>
U.S. Department of Agriculture (USDA):		
Child & Adult Care Food Program	10.558	44,560
Total U.S. Department of Agriculture		<u>44,560</u>
National Science Foundation		
Direct:		
C-Spirit Curriculum Development	47.076	29,837
Total National Science Foundation		<u>29,837</u>
Total Federal Awards		<u>\$ 22,599,808</u>

See accompanying note to the supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

State Financial Assistance	Program Entitlements			Program Revenues				Program Expenditures
	Program Name	Current	Prior	Cash	Receivable	Deferred	Total	
		Year	Year					
		Year	Total					
AS RN Nursing Degree Program	\$ 127,461	\$ -	\$ 127,461	\$ 127,461	\$ -	\$ 127,461	\$ -	\$ -
At Risk Childrens Boating Scholarships	27,174	4,078	31,252	14,321	-	7,482	6,839	6,839
Basic Skills	372,253	-	372,253	372,253	-	372,253	-	-
Basic Skills One-time	413,782	-	413,782	413,782	-	238,713	175,069	175,069
Board Financial Assistance Admin. Allowance	1,174,369	-	1,174,369	1,174,369	-	-	1,174,369	1,174,369
Cal Grants	2,432,228	-	2,432,228	2,496,323	(64,095)	-	2,432,228	2,432,228
Cal Works	922,984	-	922,984	922,984	(29,780)	-	893,204	893,204
Career Tech Educ Equip One-time	1,095,381	-	1,095,381	1,095,381	-	-	1,095,381	1,095,381
Child Development Apportionment	306,996	-	306,996	306,073	923	-	306,996	306,996
Child Development Food Program	2,600	-	2,600	2,600	-	-	2,600	2,600
Disabled Student Programs & Service	2,673,421	-	2,673,421	2,673,421	(172)	-	2,673,249	2,673,249
Economic Opportunity (EOPS)	2,933,391	-	2,933,391	2,933,391	-	-	2,933,391	2,933,391
Enrollment Growth Nursing	20,284	-	20,284	20,283	-	-	20,283	20,283
EOPS-Coop Agency Resource Education	188,248	-	188,248	188,248	-	-	188,248	188,248
Instructional Equipment / Library Matls	346,467	495,048	841,515	841,515	-	598,857	242,658	242,658
Instructional Equipment / Library Matls one-time	1,293,109	-	1,293,109	1,293,109	-	122,273	1,170,836	1,170,836
Matriculation	2,288,369	-	2,288,369	2,288,369	-	-	2,288,369	2,288,369
Matriculation-Non Credit	142,523	-	142,523	142,523	-	-	142,523	142,523
Middle College/High School - OCC	136,769	-	136,769	54,708	62,145	-	116,853	116,853
On-line Nursing Res Ctr Clinical Plc	77,500	-	77,500	77,500	-	77,500	-	-
On-The-Job-Training/Work Experience	677,046	-	677,046	657,220	-	15,138	642,082	642,082
RHORC Health Care Development	205,000	-	205,000	172,200	32,800	-	205,000	205,000
SII-Live Caption-Instr Improvement	9,964	-	9,964	9,964	-	5,153	4,811	4,811
Staff Development	137,652	-	137,652	137,652	-	40,731	96,921	96,921
Staff Diversity	29,030	8,690	37,720	37,720	-	264	37,456	37,456
State Community Service	220,944	-	220,944	220,944	-	-	220,944	220,944
State Hospital Program (Fairview)	884,819	-	884,819	884,819	-	-	884,819	884,819
Telecom & Tech Infrastructure	151,469	251,604	403,073	403,073	-	193,988	209,085	209,085
Transfer & Articulation	15,000	-	15,000	15,000	-	-	15,000	15,000
Total State Programs	\$ 19,306,233	\$ 759,420	\$ 20,065,653	\$ 19,977,206	\$ 1,821	\$ 1,799,813	\$ 18,179,214	\$ 18,179,214

See accompanying note to the supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2006 Only)			
1. Noncredit ¹	69	-	69
2. Credit	2,638	-	2,638
B. Summer Intersession (Summer 2007 - Prior to July 1, 2007)			
1. Noncredit ¹			
2. Credit	1,407	-	1,407
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	22,519	-	22,519
(b) Daily Census Contact Hours	1,767	-	1,767
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit ¹	558	-	558
(b) Credit	1,247	-	1,247
3. Independent Study/Work Experience Education Courses			
(a) Weekly Census Contact Hours	3,260	-	3,260
(b) Daily Census Contact Hours	1,316	-	1,316
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	34,781	-	34,781
Supplemental Information (subset from above)			
E. In-Service Training Courses (FTES)	154	-	154
H. Basic Skills courses and Immigrant Education (FTES)			
(a) Noncredit ¹	246	-	246
(b) Credit	1,396	-	1,396
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	-	-	-
Centers FTES			
(a) Noncredit ¹	-	-	-
(b) Credit	-	-	-

¹ Including Career Development and College Preparation (CDCP) FTES

**COAST COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT (CCFS-311) WITH DISTRICT ACCOUNTING RECORDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>General Fund</u>	<u>Student Financial Aid Fund</u>	<u>Self Insurance Fund</u>	<u>Associated Students Fund</u>
June 30, 2007 Annual Financial and Budget Report (Form CCFS 311) Fund Balances	\$ 28,794,303	\$ -	\$ 28,420,319	\$ 4,517,942
<u>Adjustments and reclassifications</u>				
Adjustment to transfer out	-	-	(19,000,000)	-
Adjustment to local revenue	(1,040,000)	-	(1,064,563)	-
Adjustment to local expense	-	-	414,423	-
Adjustment to prior year balance	-	3,911,943	(2,590,717)	171,861
Net adjustments and reclassifications	<u>(1,040,000)</u>	<u>3,911,943</u>	<u>(22,240,857)</u>	<u>171,861</u>
June 30, 2007 Fund Balances per the District's Accounting Records	<u>\$ 27,754,303</u>	<u>\$ 3,911,943</u>	<u>\$ 6,179,462</u>	<u>\$ 4,689,803</u>

See accompanying note to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT
ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
AND RECONCILIATION WITH STATEMENT OF NET ASSETS AND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Description	Special Revenue Funds						Fiduciary Funds					Total
	General Fund	Bond Interest and Redemption Fund	Bookstore Fund	Child Development Fund	Other Special Revenue Fund	Capital Projects Funds	Revenue Bond Construction Bond	Self -Insurance Fund	Associated Students Trust Fund	Student Financial Aid Trust Fund	Other Trust Fund	
REVENUES:												
Federal Revenues	\$ 6,747,733	\$ -	\$ -	\$ 108,963	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,743,112	\$ -	\$ 22,599,808
State Revenues	97,649,095	128,207	-	309,596	-	16,345,723	-	-	-	2,368,133	-	116,800,754
Local Revenues	108,024,789	14,825,092	5,956,793	727,109	13,824,768	3,175,207	11,988,831	32,944,486	3,313,967	-	2,822,104	197,603,146
TOTAL REVENUES	212,421,617	14,953,299	5,956,793	1,145,668	13,824,768	19,520,930	11,988,831	32,944,486	3,313,967	18,111,245	2,822,104	337,003,708
EXPENDITURES:												
Academic Salaries	72,646,093	-	-	-	1,207,236	-	-	-	-	-	-	73,853,329
Classified Salaries	50,327,119	-	895,942	817,668	2,697,714	107,666	-	-	453,520	-	1,107,676	56,407,305
Employee Benefits	42,092,522	-	277,924	276,278	1,045,638	13,300	-	-	160,818	-	174,967	44,041,447
Supplies and Materials	4,733,035	-	36,162	93,224	15,975	21,856	-	-	14,160	-	29,070	5,110,466
Other Operating Expenses and Services	20,039,793	-	4,622,436	9,607	4,395,433	361,374	2,792,611	29,048,307	2,255,125	-	1,291,429	64,816,115
Capital Outlay	5,215,648	-	24,589	-	2,369	17,389,599	66,285,458	-	32,804	-	36,230	88,986,697
TOTAL EXPENDITURES	195,054,210	-	5,857,053	1,196,777	9,364,365	17,893,795	69,245,053	29,048,307	2,916,427	-	2,639,372	333,215,359
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	17,367,407	14,953,299	99,740	(51,109)	4,460,403	1,627,135	(57,256,222)	3,896,179	397,540	18,111,245	182,732	3,788,349
NET OTHER FINANCING SOURCES (USES)	(8,737,883)	(15,657,153)	-	(42,615)	-	1,145,550	260,000,000	(13,572,965)	(349,973)	(18,111,245)	-	204,673,716
NET INCREASE (DECREASE) IN FUND BALANCE	8,629,524	(703,854)	99,740	(93,724)	4,460,403	2,772,685	202,743,778	(9,676,786)	47,567	-	182,732	208,462,065 A
BEGINNING FUND BALANCE:												
Net Beginning Balance, July 1	19,125,024	13,194,448	1,365,150	105,536	3,623,502	1,944,915	10,412,025	14,446,965	4,450,280	-	365,825	69,033,670
Prior Years Adjustments	(245)	51,601	(51,599)	-	(1)	-	-	1,409,283	191,956	3,911,943	67	5,513,005
Adjusted Beginning Balance	<u>19,124,779</u>	<u>13,246,049</u>	<u>1,313,551</u>	<u>105,536</u>	<u>3,623,501</u>	<u>1,944,915</u>	<u>10,412,025</u>	<u>15,856,248</u>	<u>4,642,236</u>	<u>3,911,943</u>	<u>365,892</u>	<u>74,546,675</u>
ENDING FUND BALANCE, JUNE 30, 2007	\$ 27,754,303	\$ 12,542,195	\$ 1,413,291	\$ 11,812	\$ 8,083,904	\$ 4,717,600	\$ 213,155,803	\$ 6,179,462	\$ 4,689,803	\$ 3,911,943	\$ 548,624	\$ 283,008,740

RECONCILIATION TO INCREASE IN NET ASSETS

A Net Increase in Fund Balance	208,462,065
Capitalized assets	71,602,681
Depreciation expense	(7,445,898)
Loss on capital assets disposal	(1,860)
Increase in compensated balances	(343,766)
New bond issue	(260,000,000)
Certificate of Participation	6,170,000
Notes payable	1,747,227
Increase in interest payable	(2,087,267)
Principal debt payments	9,515,000
Bond issuance costs	2,032,142
Deferred amount for refunding	(148,488)
Premium from sales of bond	(2,722,996)
Amount held for others	(85,169)
INCREASE IN NET ASSETS	\$ 26,693,671

RECONCILIATION TO NET ASSETS

Capital assets, net	227,688,020
Compensated balances, long-term	(3,803,836)
Notes receivable	17,500,000
Bonds payable	(364,727,725)
Bond issuance cost	3,502,399
Amounts held for others	(5,108,252)
Interest payable	(3,898,590)
NET ASSETS, JUNE 30, 2007	\$ 154,160,756

**COAST COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNITS - FOUNDATIONS
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007**

	Coastline CC Foundation	Golden West CC Foundation	Orange Coast CC Foundation	Coast CC* Foundation	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 1,725,399	\$ 794,891	\$ 195,645	\$ 114,503	\$ 2,830,438
Restricted investments, at fair value	-	-	-	54,952	54,952
Accounts receivable	-	18,150	5,139	-	23,289
Pledges receivable, net	516,759	-	-	-	516,759
Grant receivable	-	413,281	-	-	413,281
Prepaid expense	-	-	6,000	-	6,000
Charitable remainder trust	-	-	36,136	-	36,136
Investment in Coast CCD Enterprise Corporation	-	-	-	1,318,355	1,318,355
Due from Coast Community College District	885	-	-	-	885
Investments, at fair value	584,031	2,662,183	11,961,822	355,547	15,563,583
Donated inventory available for sale	-	-	593,582	-	593,582
Capital assets, net	-	-	5,840,812	-	5,840,812
Total Assets	\$ 2,827,074	\$ 3,888,505	\$ 18,639,136	\$ 1,843,357	\$ 27,198,072
Liabilities and Net Assets					
Liabilities					
Current liabilities					
Accounts payable	\$ 58,343	\$ 29,383	\$ 234,794	\$ -	\$ 322,520
Liabilities under split-interest agreement	-	-	-	17,705	17,705
Deposits	-	-	52,000	-	52,000
Deferred revenue	-	-	10,105	-	10,105
Total liabilities	58,343	29,383	296,899	17,705	402,330
Net Assets					
Unrestricted	454,382	445,205	40,016	1,802,161	2,741,764
Temporarily restricted	1,506,235	1,329,875	18,302,221	23,491	21,161,822
Permanently restricted	808,114	2,084,042	-	-	2,892,156
Total net assets	2,768,731	3,859,122	18,342,237	1,825,652	26,795,742
Total Liabilities and Net Assets	\$ 2,827,074	\$ 3,888,505	\$ 18,639,136	\$ 1,843,357	\$ 27,198,072

* Coast Community College District Foundation financial statements are reported as of March 31, 2007. The foundation received a dividend distribution of \$800,000 from the CCD Enterprise Corporation on June 2007.

See accompanying note to the supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT
DISCRETARY PRESENTED COMPONENT UNITS - FOUNDATIONS
COMBINING STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	UNRESTRICTED NET ASSETS				
	Coastline CC Foundation	Golden West CC Foundation	Orange Coast CC Foundation	Coast CC* Foundation	Total
Support and revenue					
Support:					
Contributions	\$ 42,288	\$ 328	\$ 78,718	\$ 129,924	\$ 251,258
Fundraising (net of expenses of \$63,286)	165,087	-	-	-	165,087
Special event (net of expenses of \$87,041)	-	-	-	-	-
Donated assets	-	-	1,595	-	1,595
Donated services	209,297	221,070	472,182	11,603	914,152
Donated facilities	7,776	18,000	19,898	-	45,674
Total support	<u>424,448</u>	<u>239,398</u>	<u>572,393</u>	<u>141,527</u>	<u>1,377,766</u>
Revenue:					
Sales	-	-	5,950	-	5,950
Administration fees - Coast CCD Enterprises, Inc.	-	-	-	63,369	63,369
Interest and dividends	9,782	13,494	46,112	9,143	78,531
Unrealized gain on investments	-	1,610	11,341	-	12,951
Realized gain (loss) on investments	-	(2,909)	(3,328)	-	(6,237)
Investment income	-	-	-	549,692	549,692
Charter fees	-	-	-	-	-
Miscellaneous fees	-	-	101,534	-	101,534
Grant revenue	-	-	-	-	-
Other revenue	3,564	10,810	-	3,231	17,605
Loss on sales of capital assets	-	-	-	-	-
Total revenue	<u>13,346</u>	<u>23,005</u>	<u>161,609</u>	<u>625,435</u>	<u>823,395</u>
Total support and revenue before net assets released from restrictions	437,794	262,403	734,002	766,962	2,201,161
Net assets released from restrictions	<u>734,565</u>	<u>1,214,923</u>	<u>4,539,013</u>	<u>-</u>	<u>6,488,501</u>
Total support and revenue after net assets released from restrictions	<u>1,172,359</u>	<u>1,477,326</u>	<u>5,273,015</u>	<u>766,962</u>	<u>8,689,662</u>
Expenses					
Program services	829,777	1,076,462	4,526,399	89,127	6,521,765
Supporting services:					
Management and general	210,876	328,154	535,166	4,272	1,078,468
Fundraising	72,488	95,465	280,467	-	448,420
Total expenses	<u>1,113,141</u>	<u>1,500,081</u>	<u>5,342,032</u>	<u>93,399</u>	<u>8,048,653</u>
Excess (deficit) of support and revenue over expenses	59,218	(22,755)	(69,017)	673,563	641,009
Net assets - beginning of year, restated	395,164	467,960	109,033	1,128,598	2,100,755
Net assets - end of year	\$ 454,382	\$ 445,205	\$ 40,016	\$ 1,802,161	\$ 2,741,764

* Coast Community College District Foundation financial statements are reported for the fiscal year ended March 31, 2007.

**COAST COMMUNITY COLLEGE DISTRICT
DISCRETARY PRESENTED COMPONENT UNITS - FOUNDATIONS
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

TEMPORARILY RESTRICTED NET ASSETS

	Coastline CC Foundation	Golden West CC Foundation	Orange Coast CC Foundation	Coast CC* Foundation	Total
Support and revenue					
Support:					
Contributions	\$ 1,737,691	\$ 572,039	\$ 1,623,154	\$ -	\$ 3,932,884
Fundraising (net of expenses of \$63,286)	-	-	-	-	-
Special event (net of expenses of \$87,041)	-	144,572	-	-	144,572
Donated assets	-	-	1,778,191	-	1,778,191
Donated services	-	-	-	-	-
Donated facilities	-	-	-	-	-
Total support	<u>1,737,691</u>	<u>716,611</u>	<u>3,401,345</u>	<u>-</u>	<u>5,855,647</u>
Revenue:					
Sales	-	-	777,636	-	777,636
Administration fees - Coast CCD Enterprises, Inc.	-	-	-	-	-
Interest and dividends	22,437	113,744	500,188	2,453	638,822
Unrealized gain on investments	-	37,574	476,072	-	513,646
Realized gain (loss) on investments	-	(65,250)	463,003	-	397,753
Investment income	-	-	-	-	-
Charter fees	-	-	279,725	-	279,725
Miscellaneous fees	-	-	-	-	-
Grant revenue	-	855,866	-	-	855,866
Other revenue	-	-	-	-	-
Loss on sales of capital assets	-	-	(1,137,568)	-	(1,137,568)
Total revenue	<u>22,437</u>	<u>941,934</u>	<u>1,359,056</u>	<u>2,453</u>	<u>2,325,880</u>
Total support and revenue before net assets released from restrictions	1,760,128	1,658,545	4,760,401	2,453	8,181,527
Net assets released from restrictions	(734,565)	(1,214,923)	(4,539,013)	-	(6,488,501)
Total support and revenue after net assets released from restrictions	<u>1,025,563</u>	<u>443,622</u>	<u>221,388</u>	<u>2,453</u>	<u>1,693,026</u>
Expenses					
Program services	-	-	-	-	-
Supporting services:					
Management and general	-	-	-	-	-
Fundraising	-	-	-	-	-
Total expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficit) of support and revenue over expenses	1,025,563	443,622	221,388	2,453	1,693,026
Net assets - beginning of year, restated	<u>480,672</u>	<u>886,253</u>	<u>18,080,833</u>	<u>21,038</u>	<u>19,468,796</u>
Net assets - end of year	<u>\$ 1,506,235</u>	<u>\$ 1,329,875</u>	<u>\$ 18,302,221</u>	<u>\$ 23,491</u>	<u>\$ 21,161,822</u>

See accompanying note to the supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT
DISCRETARY PRESENTED COMPONENT UNITS - FOUNDATIONS
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

PERMANENTLY RESTRICTED NET ASSETS

	Coastline CC Foundation	Golden West CC Foundation	Orange Coast CC Foundation	Coast CC* Foundation	Total	Total
Support and revenue						
Support:						
Contributions	\$ 31,373	\$ 182,975	\$ -	\$ -	\$ 214,348	\$ 4,398,490
Fundraising (net of expenses of \$63,286)	-	-	-	-	-	165,087
Special event (net of expenses of \$87,041)	-	-	-	-	-	144,572
Donated assets	-	-	-	-	-	1,779,786
Donated services	-	-	-	-	-	914,152
Donated facilities	-	-	-	-	-	45,674
Total support	<u>31,373</u>	<u>182,975</u>	<u>-</u>	<u>-</u>	<u>214,348</u>	<u>7,447,761</u>
Revenue:						
Sales	-	-	-	-	-	783,586
Administration fees - Coast CCD Enterprises, Inc.	-	-	-	-	-	63,369
Interest and dividends	-	-	-	-	-	717,353
Unrealized gain on investments	-	-	-	-	-	526,597
Realized gain (loss) on investments	-	-	-	-	-	391,516
Investment income	-	-	-	-	-	549,692
Charter fees	-	-	-	-	-	279,725
Miscellaneous fees	-	-	-	-	-	101,534
Grant revenue	-	-	-	-	-	855,866
Other revenue	-	-	-	-	-	17,605
Loss on sales of capital assets	-	-	-	-	-	(1,137,568)
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,149,275</u>
Total support and revenue before net assets released from restrictions	31,373	182,975	-	-	214,348	10,597,036
Net assets released from restrictions	-	-	-	-	-	-
Total support and revenue after net assets released from restrictions	<u>31,373</u>	<u>182,975</u>	<u>-</u>	<u>-</u>	<u>214,348</u>	<u>10,597,036</u>
Expenses						
Program services	-	-	-	-	-	6,521,765
Supporting services:						
Management and general	-	-	-	-	-	1,078,468
Fundraising	-	-	-	-	-	448,420
Total expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,048,653</u>
Excess (deficit) of support and revenue over expenses	31,373	182,975	-	-	214,348	2,548,383
Net assets - beginning of year, restated	<u>776,741</u>	<u>1,901,067</u>	<u>-</u>	<u>-</u>	<u>2,677,808</u>	<u>24,247,359</u>
Net assets - end of year	<u>\$ 808,114</u>	<u>\$ 2,084,042</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,892,156</u>	<u>\$ 26,795,742</u>

See accompanying note to the supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS OF THE GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	2008 (*Budget)		2007		2006		2005	
	Amount	%	Amount	%	Amount	%	Amount	%
GENERAL FUND								
Revenues								
Federal	\$ 8,121,699	3.8	\$ 6,747,733	3.2	\$ 7,445,875	3.9	\$ 7,443,466	4.1
State	94,930,049	44.5	97,649,095	46.0	83,020,490	43.5	73,598,196	40.7
Local	110,252,849	51.7	108,024,789	50.8	100,357,377	52.6	99,817,864	55.2
Total revenues and other sources	<u>213,304,597</u>	<u>100.0</u>	<u>212,421,617</u>	<u>100.0</u>	<u>190,823,742</u>	<u>100.0</u>	<u>180,859,526</u>	<u>100.0</u>
Expenditures								
Academic salaries	73,009,123	32.5	72,646,338	35.6	65,533,107	35.6	62,118,104	34.9
Classified salaries	55,575,259	24.8	50,327,119	24.7	46,335,770	25.3	44,544,391	25.0
Employee benefits	44,866,025	20.0	42,092,522	20.7	43,158,970	23.5	45,468,636	25.6
Supplies and materials	5,511,588	2.5	4,733,035	2.3	4,515,144	2.5	4,769,576	2.7
Other operating expenses	28,129,206	12.5	20,039,793	9.8	16,975,797	9.3	17,845,004	10.0
Capital outlay	3,791,982	1.7	5,215,648	2.6	3,374,549	1.8	6,615,044	3.7
Other uses, net	13,365,717	6.0	8,737,883	4.3	3,612,295	2.0	(3,447,365)	(1.9)
Total expenditures and other uses	<u>224,248,900</u>	<u>100.0</u>	<u>203,792,338</u>	<u>100.0</u>	<u>183,505,632</u>	<u>100.0</u>	<u>177,913,390</u>	<u>100.0</u>
INCREASE / (DECREASE) IN FUND BALANCE	<u>(10,944,303)</u>	<u>(4.9)</u>	<u>8,629,279</u>	<u>4.2</u>	<u>7,318,110</u>	<u>4.0</u>	<u>2,946,136</u>	<u>1.7</u>
ENDING FUND BALANCE	\$ 16,810,000	<u>7.5</u>	\$ 27,754,303	<u>13.6</u>	\$ 19,125,024	<u>10.4</u>	11,806,914	<u>6.6</u>
FULL-TIME EQUIVALENT STUDENTS	<u>33,127</u>		<u>34,799</u>		<u>31,688</u>		<u>34,217</u>	
TOTAL LONG-TERM DEBT, INCLUDING RETIREE BENEFIT LIABILITY	<u>\$ 362,445,536</u>		<u>\$ 369,273,018</u>		<u>\$ 124,014,995</u>		<u>\$ 136,845,616</u>	

* The Year 2008 General Fund Budget was taken from the annual budget approved by the Board on September 2007.

See accompanying note to the supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT
LARGEST 2006-2007 LOCAL SECURED TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2007**

Property Owner	Primary Land Use	2006-07 Assessed Valuation	% of Total (1)
1 Irvine Company	Commercial	\$ 1,234,120,489	1.49%
2 Irvine Apartment Communities	Apartments	343,217,804	0.41
3 South Coast Plaza	Commercial	292,440,676	0.35
4 Reef America REIT II Corporation	Commercial	261,544,000	0.32
5 Maguire Properties-Pacific Arts Plaza	Commercial	247,662,213	0.30
6 Mayer Financial LP	Commercial	190,366,838	0.23
7 Bella Terra Associates LLC	Commercial	155,293,321	0.19
8 McDonnell Douglas Corporation	Industrial	144,959,353	0.18
9 UDR Newport Beach North LP	Apartments	126,354,918	0.15
10 Retail Property Trust	Commercial	124,488,776	0.15
11 Interinsurance Exchange of the Automobile Club of Southern California	Commercial	121,470,862	0.15
12 100 Bayview LLC	Commercial	117,000,000	0.14
13 Balboa Bay Club Incorporated	Commercial	110,956,940	0.13
14 Coronado South Apartments LP	Apartments	110,160,000	0.13
15 Los Angeles Times Communications LLC	Industrial	108,215,717	0.13
16 JKS-CMFV LLC	Commercial	100,067,654	0.12
17 C.J. Segerstrom & Sons	Commercial	100,049,821	0.12
18 United Dominion Realty LP	Apartments	94,192,401	0.11
19 Calresources LLC	Oil Production	92,664,773	0.11
20 Riverville Family Associates LLC	Commercial	90,264,007	0.11
		<u>\$ 4,165,490,563</u>	<u>5.02%</u>

(1) 2006-07 Total Secured Assessed Valuation: \$82,812,933,658

See accompanying note to the supplementary information.

**COAST COMMUNITY COLLEGE DISTRICT
NOTE TO THE SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The audit of the District for the fiscal year ended June 30, 2007 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 Expenditures of Federal Awards was prepared by the District.

- General - The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District. The District reporting entity is defined in Note 1 to the District's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.
- Basis of Accounting - The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2 to the District's basic financial statements.
- Federal Family Education Loans (FFEL) – The District participates in the U.S. Department of Education (DOE) FFEL program where students obtain loans from eligible lenders (e.g. banks, savings and loan institutions, etc.). These distributions are not included as revenue and expense in the accompanying basic financial statements or the Schedule of Expenditures of Federal Awards. The amount distributed in the fiscal year 2007 was \$4,455,915.
- Federal Perkins Loan Program – The District participates in the DOE federal Perkins loan program and distributed \$525,163 in fiscal year 2007. These distributions are not included as revenue and expense in the accompanying basic financial statements or the Schedule of Expenditures of Federal Awards. The loans receivable at June 30, 2007 was \$3,583,715.

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards is presented using the accrual basis of accounting, which is described in Note 2 to the District's basic financial statements. Non-capital State awards received directly from State agencies as well as State awards passed through other government agencies are included in the schedule.

Schedule of Workload Measures for Program Based Funding

The Schedule of Workload Measures for Program Based Funding represents the basis of the base revenue calculation of the District's annual source of State Apportionment funding.

**COAST COMMUNITY COLLEGE DISTRICT
NOTE TO THE SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - PURPOSE OF SCHEDULES (CONTINUED)

Reconciliation of Annual Financial and Budget Report (CCFS-311) with District Accounting Records

This schedule provides the information necessary to reconcile the fund equity of all funds reported on the Form CCFS-311 to the District's accounting records in accordance with the Budget and Accounting Manual.

Annual Financial and Budget Report (CCFS-311) and Reconciliation with the Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets

This schedule provides financial information to the State Chancellor's Office of the fund equity of all funds of the District. A reconciliation is provided to reconcile the CCFS-311, which is on a modified accrual basis of accounting to the Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets, which are on the accrual basis of accounting.

Combining Statements for Discretely Presented Components Units

These statements represent the combining statements of financial position and statement of activities for the Coast Community College District Foundation, Coastline College Foundation, Golden West College Foundation, Orange Coast College Foundation.

Schedule of Financial Trends and Analysis of the General Fund

The Schedule of Financial Trends and Analysis shows the financial trends of the General Fund over the past three fiscal years as well as the current year budget for the fiscal year ending June 30, 2007.

Largest 2006-2007 Local Secured Taxpayers

This schedule provides the information of the largest local secured taxpayers in 2006-2007.



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**INDEPENDENT AUDITOR'S 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***

Board of Trustees
Coast Community College District
Costa Mesa, California

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Coast Community College District (the District) as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 07-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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 significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

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 7, 2007.

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

This report is intended solely for the information and the use of the District's management, the Board of Trustees, 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.

Macias Jini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
December 7, 2007



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

Board of Trustees
Coast Community College District
Costa Mesa, California

Compliance

We have audited the compliance of the Coast Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB Circular A-133 Compliance Supplement*) that are applicable to its major federal program for the year ended June 30, 2007. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the 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,

but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

This report is intended solely for the information and use of the District's management, the Board of Trustees, 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.

Macias Jini & O'Connell LLP

Certified Public Accountants

Los Angeles, California

December 7, 2007



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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Coast Community College District
Costa Mesa, California

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of Coast Community College District (the District) for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2007. 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.

In connection with our audit, we have examined, with respect to compliance with applicable laws and regulations, those items specified in the Contracted District Audit Manual. The objective of the examination of compliance applicable to the District is to provide reasonable assurance that the following State requirements are met:

Program Area Tested

Compliance Requirement

State General Apportionment Funding System

Each District is required to adopt procedures to document all course enrollment, procedures and disenrollment. These procedures shall include rules for retention of support documentation that would enable independent determination of the accuracy of data submitted by the district as a basis for state support. Such procedures must be structured to provide for internal controls.

Salaries of Classroom Instructors

Each District's salaries of classroom instructors shall equal or exceed 50% of the District's current expense of education (CEE) in accordance with Section 84362 of the Education Code.

Concurrent Enrollment

Districts are authorized to claim FTES for concurrent enrollment of K-12 pupils if certain requirements are met.

Residency Determination

Districts internal fiscal controls should ensure the state apportionment for credit courses is only claimed for student attendance allowed by the State statute and regulation.

Program Area Tested

Compliance Requirement

Enrollment Fees

Districts are required to report the total amount the students should have paid for enrollment fees for purposes of determining their share of apportionments annually.

Uses of Matriculation Funds

Districts are required to use local funds to support at least 75 percent of the matriculation activities with the remaining expenditures claimable against the State matriculation allocation. All expenditures related to the allocation, both State and local funded portions, must be consistent with the District's State approved matriculation plan and identifiable within the ten activities claimable against State matriculation funds.

Districts must use the annual State matriculation allocation to expand levels of services that were in place in 1986-87, or to add entirely new services. The State allocation may not be used to supplant District funded services, including personnel costs that existed in 1986-87 or before.

Apportionment for Instructional Service Agreements/Contracts

The District claim FTES for classes given through instructional service agreements/contracts provided certain requirements are met. These requirements include a written agreement, instruction of approved programs, publishing of courses, qualification of instructors and control, supervision and responsibility over the educational programs.

Allocation of Costs

Salaries of instructors teaching FTES-generating classes, school counselors providing academic advisement, and financial aid officers conducting needs analyses are not considered supportable charges against either extended opportunity programs and services (EOP&S) or disabled student programs and services (DSP&S) accounts unless their activities require time to perform additional functions for the EOP&S or DSP&S programs which are beyond the scope of services provided to all students in the normal performance of the regular duty assignments. These activities may be supported only to the extent of the supplementary services provided for EOP&S or DSP&S.

CalWORKS

Districts accepting CalWorks Program State and Federal Temporary Assistance for Needy Families funds are required to provide specialized student support services, curriculum development, or instruction to eligible CalWORKS students.

Students Actively Enrolled

Districts are required to claim for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date.

Program Area Tested

Compliance Requirement

Disabled Student Programs and Services Program (DSP&S)

Districts accepting DSP&S fund shall operate within the program requirements as identified in Sections 56000-56088 of Title 5 of the California Code of Regulations.

Open Enrollment

Districts shall adopt by resolution a policy related to open courses, in addition a statement of this policy shall be published in the official catalog, and/or schedule of classes, and addenda to the schedules of classes for which full-time equivalent students is reported for state apportionment. Each District shall file a copy of the statement with the Chancellor.

GANN Limit Calculation

Each district's adopted annual financial and budget report shall include the appropriations limit and the total annual appropriations subject to limitation as determined pursuant to Government Code Division 9 (commencing with Section 7900).

Scheduled Maintenance Program

Funds provided by the State must be to supplement, not supplant, district deferred maintenance funds. This is defined as the amount spent in fiscal year 1995-96 for Operation and Maintenance of Plant increased by an amount equal to the State's contribution and the district's match for the Scheduled Maintenance Program for the year being audited.

Minimum Conditions – “Standard of Scholarship” (i.e. Course Repetition)

Districts are required to meet certain minimum conditions. These minimum conditions include Standard of Scholarship in the California Code of Regulations and publish statements of those regulations under appropriate headings in their catalogs.

Student Fees – Instructional Materials Fees and Health Fees

Districts shall charge fees to students in accordance with the California Education Codes and policies the districts have established.

As described in item 07-2 and 07-3 in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements to claim FTES for concurrent enrollment of K-12 pupils and to charge materials fees to students. Compliance with such requirement is necessary, in our opinion, for the District to comply with the requirements specified above.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied in all material respects with the requirements specified above for the fiscal year ended June 30, 2007.

This report is intended solely for the information of the District's management, the Board of Trustees, and the District's state grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Macias Fini & O'Connell LLP

Certified Public Accountants

Los Angeles, California

December 7, 2007

**COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Part I - Summary of Auditor's Results

Financial Statements

Type of Auditor's report issued: *Unqualified*

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes No

Significant deficiencies identified that are not considered to be material weakness(es)? Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes No

Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes None reported

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

Any audit findings disclosed that are required to be Reported in accordance with section 510(a) of Circular A- 133? _____ Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Aid Cluster:
84.007	Federal Supplementary Educational Opportunity Grants
84.032	Federal Family Education Loan
84.033	Federal Work-Study Program
84.063	Federal Pell Grants Program
84.375A	Academic Competitiveness Grant
	WIA Clusters
17.258	WIA - Disadvantaged Adult Title II
17.260	WIA - Dislocated Worker

**COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Awards (Continued)

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 677,994
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

State Awards

Type of Auditor's report issued on compliance for state programs:	<i>Qualified</i>
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Part II - Financial Statement Findings Section

07-1. Financial Reporting Process

Condition:

District management is responsible for the preparation of its financial statements in accordance with Generally Accepted Accounting Principles (GAAP). District management relies heavily on the auditor's guidance on the application of accounting principles in preparing the statement of net assets, statement of revenues, expenses and changes in net assets, cash flow statements and related note disclosures to comply with GAAP. As part of the current audit contract, auditors assist in, 1) preparing financial statements by consolidating individual funds and grouping account balances for each line item presented on the statements; 2) preparing the period-end adjustments (e.g. interest payable, deferred revenue and claim liabilities) to correct accounting entries; 3) preparing GASB No. 35 related adjustments to convert the underlying records on the modified accrual basis of accounting to the accrual basis of accounting; 4) drafting footnote disclosures. However, the external auditors are not part of management's system of internal control and, therefore, cannot be considered as part of the system of internal controls over financial reporting.

While management reviews and accepts the financial statements, an inappropriate level of reliance is placed on the auditors recommendations.

Recommendation:

We recommend that the District review its financial reporting process to ensure that the internal controls over financial reporting are adequate.

Management's Response:

Management feels that it has taken appropriate steps to ensure internal controls over the financial reporting process are in place as exhibited by the fact that management prepared financial statements and related footnote disclosures for multiple component units. For those financial statements and footnotes that were compiled by the auditors based on information provided by management, management performed a thorough review and proposed changes and corrections to errors which demonstrates its ability to comprehend the various applications of accounting principles throughout the statements.

**COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Part III – Federal Award Findings Section

No matters were reported

Part IV - State Findings Section

07-2. Concurrent Enrollment

Condition

Per Contracted District Audit Manual, State Compliance Section 427, Paragraph One, “The governing board of a school district may authorize kindergarten through 12th grade (K-12) pupils who would benefit from advanced scholastic or vocational work, upon recommendation of the principal of the pupil’s school of attendance, and with parental permission, to attend community college as special part-time or full-time students to undertake one or more courses of instruction at the community college level.” In our procedures performed for the concurrent enrollment, Coastline Community College admission office could not locate the “K-12th GRADE - Special Part-Time Program Form” that documents the parent and principal approval in one (1) out of twenty-five (25) selected samples.

Recommendation

We recommend that Coastline Community College admission office establishes procedures to ensure that all parent and principal approved “K-12th GRADE – Special Part-time Program Form” are properly maintained.

Management response

Coastline Community College admission office has an established policy and procedure to ensure that all K-12th students must have a “K-12th grade – Special Part-time program form on file with their Principal and parents signatures. All K-12th students are flagged and cannot register without this program form on file. After doing more research I found that the actual application was flagged that the high school program form had been submitted. Therefore, I have to believe it was misfiled.

07-3. Material Fees

Condition

Per Contracted District Audit Manual, State Compliance Section 437, Paragraph four, “Test a sample of the mandatory instructional materials fees to determine if the district can justify requiring the student to purchase the material from it (e.g., the required purchase from the district is based on a health or safety consideration) and ensure that students are not charged more than the district’s actual cost of the materials.” In our procedures performed for the material fees, the District could not provide supporting documents to prove that the students have not been charged more than the District’s actual cost of the materials in twenty-five (25) out of thirty-eight (38) items reviewed.

**COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

07-3. Material Fees (Continued)

Recommendation

We recommend that the District establishes procedures to document: 1) how material fees of each course is developed, 2) actual cost paid for the materials (e.g. vendor invoices), and 3) how unit cost paid for the materials tie to fees charged to each student.

Management response

Management is in agreement that standards need to be set at the District level to more properly manage the process over materials fees charged to students. The District plans to do the following:

1. Develop District procedures for the submission of material fees (including backup documentation) based on their regulations, requirements, and the auditor's findings. (Expected Completion Date: December 2007)
2. Present these procedures to the campuses for feedback prior to implementation. (Expected Completion Date: January 2008)
3. Incorporate changes and feedback, then distribute to upper management for final approval. (Expected Completion Date: February 2008)
4. Have the new procedures in place prior to the campuses next material fee submission in May 2008.

**COAST COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Finding	Recommendation	Status
<p>Part II – Financial Statement Findings Section</p>		
<p>No matters were reported in prior year.</p>		
<p>Part III – Federal Award Findings Section</p>		
<p>No matters were reported in prior year.</p>		
<p>Part IV - State Findings Section 06-1. Noncredit Courses Self-Assessment Checklist</p>	<p>The district develop and implement policies and procedures for following up, in a timely manner, on communications from the state system office to ensure compliance and completion</p>	<p>Implemented</p>