

COAST COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE M
FINANCIAL AND PERFORMANCE AUDITS
June 30, 2017



COAST COMMUNITY COLLEGE DISTRICT

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June 30, 2017

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**FINANCIAL AUDIT OF MEASURE M
GENERAL OBLIGATION BOND FUNDS**



The Board of Trustees
The Measure M Citizens' Bond Oversight Committee
Coast Community College District
Costa Mesa, California

Report on the Financial Statements

We have audited the accompanying Measure M financial statements of the Coast Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure M General Obligation Bond Funds of the District as of June 30, 2017, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present fairly only the Measure M General Obligation Bond Funds and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2017 or the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the fund financial statements. Such missing information, although not a part of the fund financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the fund financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017 on our consideration of the District's internal control over the Measure M General Obligation Bond Funds 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 solely 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

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

on the effectiveness of the District's internal control over the Measure M General Obligation Bonds Funds financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over the Measure M General Obligation Bonds Funds financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen, LLP
Glendora, California
December 8, 2017

**COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUNDS**

**BALANCE SHEET
June 30, 2017**

Assets

Cash in county treasury	\$ 327,569,608
Cash and cash equivalents	463,493
Investments	41,138,008
Accounts receivable	<u>290,973</u>
Total Assets	<u>\$ 369,462,082</u>

Liabilities and Fund Balance

Liabilities

Accounts payable	\$ 5,044,704
Due to other funds	<u>74,005</u>
Total Liabilities	<u>5,118,709</u>

Fund Balance

Restricted	<u>364,343,373</u>
Total Fund Balance	<u>364,343,373</u>
Total Liabilities and Fund Balance	<u>\$ 369,462,082</u>

See the accompany notes to the financial statements.

**COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE**

For The Fiscal Year Ended June 30, 2017

Revenues	
Interest and investment income	\$ 2,607,313
Other local revenue	<u>32,141</u>
Total Revenues	<u>2,639,454</u>
Expenditures	
Salaries	319,503
Benefits	137,690
Supplies	265,337
Other services	4,652,991
Capital outlay	<u>50,642,503</u>
Total Expenditures	<u>56,018,024</u>
Deficiency of revenues over expenditures	(53,378,570)
Other Financing Sources	
Proceeds from sale of general obligation bonds	<u>330,000,000</u>
Total Other Financing Sources	
Net change in fund balance	276,621,430
Fund Balance at Beginning of Year	<u>87,721,943</u>
Fund Balance at End of Year	<u>\$ 364,343,373</u>

See the accompany notes to the financial statements.

**COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

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

Financial Reporting Entity

The financial statements include only the Measure M funds of the Coast Community College District used to account for Measure M projects. These funds were established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2012. These financial statements are not intended to present fairly the financial position and results of operations of the Coast College District in compliance with accounting principles generally accepted in the United States of America.

Basis of Accounting

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

Cash in the county treasury is recorded at cost, which approximates fair value.

Fund Structure

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

Encumbrances

The Measure M funds utilize an encumbrance accounting system under which purchase orders, contracts and other commitments are recorded to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid.

**COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Balance Classification

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation are considered restricted.

The fund balance of the Measure M General Obligation Bond Funds are therefore classified as restricted.

Capital Assets and Long-Term Debt

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

Estimates

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

NOTE 2: DEPOSITS AND INVESTMENTS

Cash in County

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Orange County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are carried at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2017 is measured at 99.69% of amortized cost. The District’s investments in the fund are considered to be highly liquid and reflected in the financial statements as cash and cash equivalents in the statement of net position.

**COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 2: DEPOSITS AND INVESTMENTS

The County is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635 and 53648. The county is restricted to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the Auditor-Controller County of Orange, 12 Civic Center Plaza, Room 200, Santa Ana, CA 92702.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Policies

Under provisions of California Government Code Sections 16430, 53601 and 53602 and District Board Policy 6320, the District may invest in the following types of investments:

- State of California Local Agency Investment Fund
- County Treasurer's Investment Pools
- U.S. Treasury notes, bonds, bills or certificates of indebtedness
- Fully insured or collateralized certificates of deposit
- Fully insured and collateralized credit union accounts

The District did not violate any provisions of the California Government Code or District Board policy during the year ended June 30, 2017.

**COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 2: DEPOSITS AND INVESTMENTS

Investments with fiscal agent at June 30, 2017 are presented herein.

Maturities (in Years)	Fair Value	Standard & Poor's Rating	Federal Agency Bonds	Corporate Bonds
Less Than 1	\$ 1,644,559	\$ 1,644,559	\$	\$
1 to 5	7,801,515	6,302,470		1,499,045
6 to 10	8,765,604	5,949,804	2,815,800	
More Than 10	22,926,330	15,597,362	7,328,968	
Total	<u>\$ 41,138,008</u>	<u>\$ 29,494,195</u>	<u>\$ 10,144,768</u>	<u>\$ 1,499,045</u>

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investment fair value measurements at June 30, 2017 are presented herein.

Investment - Level 1 Inputs	Fair Value	Standard & Poor's Rating
U.S. Treasury Bonds	\$ 29,494,195	AA+
Federal Agency Bonds	10,144,768	AA+
Corporate Bonds:	1,499,045	AA+
Total	<u>\$ 41,138,008</u>	

Investments categorized as Level 1 are valued based on prices quoted in active markets for those securities.

Interest Rate Risk

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Board Policy 6320 Investments includes as the primary objectives 1) Safety: Preservation of principal is the foremost objective of the District; 2) Liquidity: The District's portfolio will remain sufficiently liquid to enable the District to meet its liquidity needs, and 3) Yield: The District's portfolio will be designed to obtain a market rate of return through economic cycles consistent with the constraints imposed by its safety objective and cash flow considerations. Board Policy 6320 does not specify limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates;

**COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 2: DEPOSITS AND INVESTMENTS

however, the District has operated within parameters of the “Permitted Investments” as specified in the Measure M 2013 and 2016 Official Statements and the Board resolution No. 13.06 authorizing the election. These parameters set up the outer boundaries of what the bond proceeds can be invested in. The District has since developed an investment strategy for those proceeds. Information about the exposure of the District’s investments to this risk is provided above. Effective January 1, 2017, AB2738 prohibits the proceeds from the sale of bonds from being withdrawn for investment outside the county treasury.

NOTE 3: BONDED DEBT:

On November 6, 2012, the District voters approved and authorized the issuance and sale of \$698,000,000 principal amount of Measure M General Obligation Bonds of the District. The bonds were authorized to finance the acquisition, construction, and modernization of facilities and paying related costs.

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

1. General Obligation Bonds, Series 2013A were issued for \$190,000,000 (series 2013A). The proceeds of which are being issued to (i) finance the acquisition, construction, modernization and renovation of the District sites and facilities, (ii) refinance all or a portion of the California Community College Financing Authority Lease Revenue Bonds., Series 2011A, and (iii) pay the costs of issuance associated with Series 2013A.
2. General Obligation Bonds, Series 2013B were issued for \$10,000,000 (Series 2013B). The proceeds of which are being used to (i) finance an endowment for voter-approved technology upgrades, and (ii) pay the costs of issuance associated with Series 2013B.

On August 31, 2016, the District issued bonds, Series C totaling \$30,000,000, to (i) finance an endowment for voter-approved technology upgrades and (ii) to pay the cost of using the bonds.

On March 29, 2017, the District issued bonds, Series D and Series E, totaling \$300,000,000. Series D bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of the District sites and facilities, and (ii) pay the costs of issuing the bonds. Series E bonds are being issued to (i) finance voter-approved technology upgrades, and (ii) pay the costs of issuing the Series E bonds.

**COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 3: BONDED DEBT:

Payments - Measure M

Series 2013A

The annual requirements to amortize Series 2013A bonds payable, outstanding as of June 30, 2017, are presented herein.

Year Ended June 30	Principal	Current Interest Component	Total
2018	\$ 1,185,000	\$ 6,711,625	\$ 7,896,625
2019	825,000	6,681,475	7,506,475
2020	1,920,000	6,630,700	8,550,700
2021	2,335,000	6,545,600	8,880,600
2022	2,745,000	6,444,000	9,189,000
2023-2027	20,845,000	29,971,775	50,816,775
2028-2032	36,695,000	23,407,025	60,102,025
2033-2037	57,400,000	13,690,150	71,090,150
2038-2039	30,530,000	1,404,950	31,934,950
	<u>\$154,480,000</u>	<u>\$ 101,487,300</u>	<u>\$ 255,967,300</u>

Series 2013B

The annual requirements to amortize Series 2013B bonds payable, outstanding as of June 30, 2017, are presented herein.

Year Ended June 30	Principal	Current Interest Component	Total
2018	\$ 2,015,000	\$ 46,896	\$ 2,061,896
2019	2,040,000	16,708	2,056,708
	<u>\$ 4,055,000</u>	<u>\$ 63,604</u>	<u>\$ 4,118,604</u>

**COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 3: BONDED DEBT:

Series 2016C

The annual requirements to amortize Series 2016C bonds payable, outstanding as of June 30, 2017, are presented herein.

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Current Interest Component</u>	<u>Total</u>
2018	\$ 10,295,000	\$ 336,166	\$ 10,631,166
2019	2,610,000	283,316	2,893,316
2020	3,060,000	254,084	3,314,084
2021	3,220,000	214,465	3,434,465
2022	3,400,000	165,698	3,565,698
2023-2024	<u>7,415,000</u>	<u>144,969</u>	<u>7,559,969</u>
	<u>\$ 30,000,000</u>	<u>\$ 1,398,698</u>	<u>\$ 31,398,698</u>

Series 2017D

The annual requirements to amortize Series 2017D bonds payable, outstanding as of June 30, 2017, are presented herein

**COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 3: BONDED DEBT:

Year Ended June 30	Principal	Current Interest Component	Total
2018	\$	\$ 10,830,894	\$ 10,830,894
2019		12,911,000	12,911,000
2020	1,750,000	12,876,000	14,626,000
2021		12,841,000	12,841,000
2022		12,841,000	12,841,000
2023-2027	19,085,000	62,878,125	81,963,125
2028-2032	32,615,000	55,508,375	88,123,375
2033-2037	87,070,000	42,211,000	129,281,000
2038-2042	116,480,000	16,792,000	133,272,000
2043	<u>23,000,000</u>	<u>460,000</u>	<u>23,460,000</u>
	<u>\$280,000,000</u>	<u>\$ 240,149,394</u>	<u>\$ 520,149,394</u>

Series 2017E

The annual requirements to amortize Series 2017E bonds payable, outstanding as of June 30, 2017, are presented herein

Year Ended June 30	Principal	Current Interest Component	Total
2018	\$	\$ 262,352	\$ 262,352
2019	9,650,000	243,982	9,893,982
2020	<u>10,350,000</u>	<u>87,613</u>	<u>10,437,613</u>
	<u>\$ 20,000,000</u>	<u>\$ 593,947</u>	<u>\$ 20,593,947</u>

The outstanding general obligation bonded debt of the District at June 30, 2017 is presented herein.

**COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 3: BONDED DEBT:

	<u>Issue Date</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2017</u>
2013A	5/29/2013	1.50 - 5.00	8/1/2038	\$ 190,000,000	\$ 154,480,000
2013B	5/29/2013	0.45 - 5.00	8/1/2018	10,000,000	4,055,000
2016C	8/31/2016	0.80-1.98	8/1/2023	30,000,000	30,000,000
2017D	3/29/2017	4.00-5.00	8/1/2042	280,000,000	280,000,000
2017E	3/29/2017	1.43-1.69	8/1/2019	20,000,000	20,000,000
				<u>\$ 530,000,000</u>	<u>\$ 488,535,000</u>

Refunding bonds have been issued related to Measure M and are reflected on the District's financial statements.

NOTE 4: COMMITMENTS AND CONTINGENCIES:

Litigation

The District is involved in various claims and legal actions related to various construction projects. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's Measure M General Obligation Funds financial statements.

Purchase Commitments

As of June 30, 2017, the District was committed under various capital expenditure purchase agreements for Measure M bond projects totaling approximately \$69.5 million.

**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***

The Board of Trustees
The Measure M Citizens’ Bond Oversight Committee
Coast Community College District
Costa Mesa, California

We have audited, 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, the Measure M General Obligation Bond Funds financial statements of the Coast Community College District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements as listed in the table of contents, and have issued our report thereon dated December 8, 2017.

As discussed in Note 1, the financial statements present only Measure M specific to the 2012 General Obligation Bonds, and are not intended to present fairly the financial position and results of operations of Coast Community College District in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

**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***

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coast Community College District's Measure M, 2012 General Obligation Bonds financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



CliftonLarsonAllen, LLP
Glendora, California
December 8, 2017

**COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUNDS**

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017**

There were no findings related to the financial audit of the Measure M General Obligation Bond Funds for the year ended June 30, 2017.

**COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUNDS**

**STATUS OF PRIOR FINDINGS
June 30, 2017**

2016-001 CLOSING PROCEDURES

Criteria: The costs of goods and services should be recorded in the fiscal year in which the services were received and/or incurred.

Condition: During a search of unrecorded payables, three invoices in which services were incurred as of June 30, 2016 were not accrued.

Effect: Accounts payable and expenditures for the fiscal year 2015-16 were underreported by \$900,769.

Cause: Unknown.

Questioned Costs and Units: None

Recommendation: Establish a system for monthly reconciliations and closing procedures. In addition, in order to provide more accurate financial statements, we strongly recommend the District establish more effective review and reconciliation policies and procedures as a customary part of the accounting process. This would involve monthly reconciliations of all accounts, making adjustments throughout the year that have typically been made at year-end only, and performing more frequent reviews of the general ledger throughout the year.

Corrective Action Plan: The District will establish a system of monthly reconciliations and closing. These monthly reconciliations will consist of the following:

- a) Account reconciliations will be completed and reviewed in a timely manner by creating due dates for reconciliations, and a review of the unidentified differences and posting the necessary adjustments timely.
- b) The account reconciliation process will be reviewed quarterly to identify improvements that help ensure quality, accuracy and completeness of the reconciliations.
- c) Year-end accruals in prepaid and accounts payable accounts will be reviewed and corrected as appropriate.

Status: Implemented for the Measure M General Obligation Bond Funds

PERFORMANCE AUDIT OF MEASURE M



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Measure M Citizens' Bond Oversight Committee
Coast Community College District
Costa Mesa, California

We have conducted a performance audit of the Coast Community College District (the District) Measure M General Obligation Bond Funds for the year ended June 30, 2017.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed in this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure M General Obligation Bond Funds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on internal control.

The results of our tests indicated that, in all significant respects, the District expended Measure M General Obligation Bond Funds for the fiscal year ended June 30, 2017, only for the specific projects developed by the District's Board of Trustees, and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

CliftonLarsonAllen LLP

CliftonLarsonAllen, LLP
Glendora, California
December 8, 2017

**COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUNDS**

**PROPOSITION 39 PERFORMANCE AUDIT
June 30, 2017**

BACKGROUND INFORMATION

In November 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges under certain circumstances and subject to certain conditions.

The Measure M Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The Bonds are authorized pursuant to a request of the District made by a resolution adopted by the Board of Education of the District.

The District received authorization at an election held on November 6, 2012, to issue bonds of the District in an aggregate amount not to exceed \$698,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2012 Authorization).

Pursuant to the requirements of Proposition 39, and related state legislation, the Board of Trustees of the District established a Citizens' Bond Oversight Committee and appointed its members. The principal purpose of the Citizens' Bond Oversight Committee, as set out in state law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Measure M bond authorization. The Citizens' Bond Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Measure M General Obligation Bond Funds have been expended only for the authorized bond projects.

OBJECTIVES

The objectives of our performance audit were to:

- Determine the expenditures charged to the District Measure M General Obligation Bond Funds.
- Determine whether expenditures charged to the Measure M General Obligation Bond Funds have been made in accordance with the bond project list approved by the voters through the approval of Measure M in November 2012.
- Determine that amounts expended on salaries and benefits were only to the extent employees perform work associated with the Measure C projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

**COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUNDS**

**PROPOSITION 39 PERFORMANCE AUDIT
June 30, 2017**

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal period from July 1, 2016 to June 30, 2017. The sample of expenditures tested included object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2017, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

- We identified the expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
- We selected a judgmental sample of expenditures for supplies, services and capital outlay considering all projects for the year ended June 30, 2017. Our sample included 58 transactions totaling \$28,333,450. This represents 51% of total non-salary expenditures of \$55,560,831.
 - We reviewed the actual invoices and supporting documentation to determine that expenditures charged to projects were:
 - Supported by invoices with evidence of proper approval and documentation of receipt of goods or services;
 - Supported by proper bid documentation, as applicable;
 - Properly expended on the authorized bond projects as listed on the voter-approved bond project list.
- We selected a judgmental sample of salaries and benefits for the year ended June 30, 2017. Our sample of expenditures for salaries and benefits included \$120,312 in payroll expenses.
 - We reviewed the payroll register and job description to determine that the amounts expended on salaries and benefits were only to the extent employees perform work associated with the Measure M bond projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

**COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUNDS**

**PROPOSITION 39 PERFORMANCE AUDIT
June 30, 2017**

CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures of the funds held in the Measure M General Obligation Bond Funds and that such expenditures were made on authorized bond projects. Further it was noted that the funds held in the Measure M General Obligation Bond and expended by the District, were used for salaries and benefits only to the extent allowable.

SCHEDULE OF FINDINGS AND RESPONSES

There were no findings related to the performance audit of the Measure M General Obligation Bond Funds for the year ended June 30, 2017. In addition, there were no findings related to the performance audit of the Measure M General Obligation Building Funds for the year ended June 30, 2016.

**COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUNDS**

**PROPOSITION 39 PERFORMANCE AUDIT
June 30, 2017**

SCHEDULE OF BOND PROJECTS SUMMARY

A summary of Measure M General Obligation Bonds Funds' expenditures for the year ended June 30, 2017 are listed below. This summary of Measure M expenditures is based on the District's books and records and is provided for information purposes only. This expenditures summary reflects financial totals provided by District management.

Measure M Project Expenditures:

District Facilities:

District Planning/Admin	\$ 722,399
Total Expenditures for District	<u>722,399</u>

Orange Coast College (OCC)

OCC Interdisciplinary Classroom Business, Math, Computing	119,673
OCC Recycling Center	4,073,538
OCC Maritime Academy	2,636,195
OCC Watson Hall Renovation	102,073
OCC Language/Social Sciences	176,735
OCC Adaptive PE, Gym, Pool	402,447
OCC Planetarium	4,671,356
OCC Chemistry Expansion/Renovation	80,947
OCC Sailing Center Dock Renovation	6,003
OCC Campus Interior Signage	427,708
OCC Solar Adams Parking Lot Improvement	1,451,026
OCC Skill Center Renovation	77,322
OCC Student Union Complex	2,173,764
OCC College Student Center	85,246
OCC Clark Center	125,329
OCC Legacy Hall	321,698
OCC Landscape Improvements	21,875
OCC IT Program/Infrastructure	100,324
OCC Planning/Administration	<u>48,750</u>
Total Expenditures for Orange Coast College	<u>17,102,009</u>

**COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUNDS**

**PROPOSITION 39 PERFORMANCE AUDIT
June 30, 2017**

SCHEDULE OF BOND PROJECTS SUMMARY

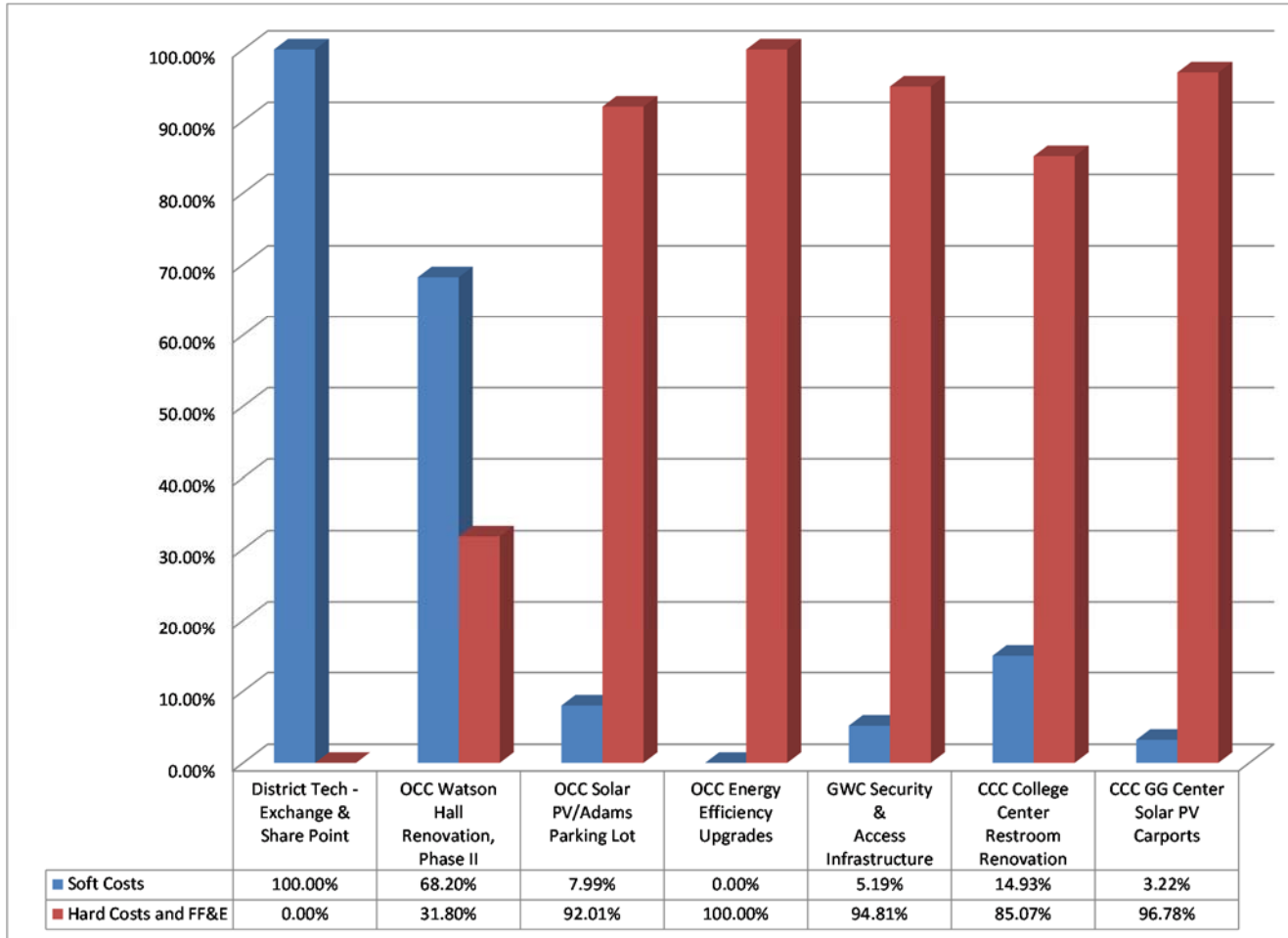
Measure M Project Expenditures: (continued)

Total expenditures for Orange Coast College from previous page	<u>\$ 17,102,009</u>
Golden West College (GWC)	
GWC Student Services Center	15,365,394
GWC Campus Safety Building	302,415
GWC Math and Science Building	4,097,322
GWC Criminal Justice Center	8,639,190
GWC Classroom Refurbishment	76,877
GWC Campus wide Way Finding/Signage	500
GWC Language Arts Complex	134,713
GWC Technology Building	15,128
GWC Cosmetology	104,937
GWC Central Warehouse Renovation	6,483
GWC MDF/Communication Relocation	785
GWC Thermal Energy Storage	43,225
GWC Theater Refurbishment	159,271
GWC Security, Access, Surveillance	2,838,030
GWC Planning/Administration	<u>3,846</u>
Total Expenditures for Golden West College	<u>31,788,116</u>
Coastline College (CCC)	
CCC Le-Jao Student Resource Center	2,622,535
CCC Tech Kiosks and Signage	57,721
CCC College Ctr Student Support	145,710
CCC Garden Grove Center Renovation	36,146
CCC Newport Beach Student Support Center	11,766
CCC Newport Beach Expansion	72
CCC Le-Jao Expansion	5,102
CCC College Center Restroom Renovation	245,015
CCC GG Solar PV Carports	1,404,625
CCC Classroom Technology Upgrades	137,609
CCC Energy Efficient Upgrades	171,824
CCC Planning/Administration	<u>9</u>
Total Expenditures for Coastline College	<u>4,838,134</u>
Total Project Expenditures for the Period from July 1, 2016 through June 30, 2017	54,450,658
Bond Issue Costs	343,700
District General Reserves - Investment Service Charge	<u>1,223,666</u>
Total Measure M Project Expenditures	<u>\$ 56,018,024</u>

SUPPLEMENTARY INFORMATION (UNAUDITED)

**COAST COMMUNITY COLLEGE DISTRICT
 MEASURE M GENERAL OBLIGATION BOND FUNDS
 COMPLETED PROJECTS CUMULATIVE SOFT AND HARD COST CATEGORIES AS A PERCENTAGE OF
 CONSTRUCTION COSTS (UNAUDITED)
 CUMULATIVE AS OF**

June 30, 2017



See the accompanying notes to the supplementary information

**COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND FUNDS
PROPOSITION 39 PERFORMANCE AUDIT
June 30, 2017**

NOTES TO THE SUPPLEMENTARY INFORMATION

A compilation and comparison of project soft costs for projects that have been completed by the District during fiscal year 2016-2017 and for which full costs is reflected as of June 30, 2017. Soft costs consist of items that are not considered direct construction costs and include architectural, engineering, financing, legal fees, and other pre- and post-construction expenses.

The following projects were completed during the fiscal year 2016-2017:

- District Technology – Active Directory, Exchange & Share Point
- OCC Watson Hall Renovation Phase II
- OCC Solar PV/Adams Parking Lot Improvements
- OCC Energy Efficiency Upgrades
- GWC Security & Access Infrastructure
- CCC College Center Restroom Renovation
- CCC Garden Grove Center Solar PV Carports

"Cumulative Soft and Hard Cost Categories as a Percent of Construction Costs" illustrates total cumulative soft and hard cost by each of the categories as a percent of construction costs. This is intended to give a sense of the proportion of the soft and hard cost elements within the project. Construction cost was used as the base because this is generally the most important driver of soft costs.