

**COAST COMMUNITY COLLEGE DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE M**  
**FINANCIAL AND PERFORMANCE AUDITS**  
**June 30, 2019**



[CLAconnect.com](http://CLAconnect.com)

WEALTH ADVISORY  
OUTSOURCING  
AUDIT, TAX, AND  
CONSULTING

COAST COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS  
June 30, 2019

**Financial Audit of Measure M General Obligation Bond Funds**..... 1

    Independent Auditor’s Report..... 2

    Balance Sheet – Measure M General Obligation Bond Funds ..... 4

    Statement of Revenues, Expenditures, and Changes in Fund Balances –  
    Measure M General Obligation Bond Funds ..... 5

    Notes to the Financial Statements ..... 6

    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*..... 14

    Schedule of Findings and Responses ..... 16

    Schedule of Prior Findings..... 17

**Performance Audit of Measure M**..... 18

    Independent Auditor’s Report on Proposition 39 Compliance Requirements..... 19

    Background Information ..... 20

    Objectives ..... 20

    Scope of the Audit ..... 21

    Procedures Performed ..... 21

    Conclusion ..... 22

    Schedule of Findings and Responses ..... 22

    Schedule of Bond Projects Summary ..... 23

**SUPPLEMENTARY INFORMATION (UNAUDITED)** ..... 25

    Completed Projects – Cumulative Soft and Hard Cost Categories as a  
    Percentage of Construction Costs ..... 26

    Note to the Supplementary Information ..... 27

**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, 2019, 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, 2019, 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 are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2019 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 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.



CliftonLarsonAllen, LLP  
Glendora, California  
November 14, 2019

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

**BALANCE SHEET  
June 30, 2019**

**Assets**

|                           |                |
|---------------------------|----------------|
| Cash in county treasury   | \$ 145,159,316 |
| Cash and cash equivalents | 2,797,745      |
| Investments               | 62,668,909     |
| Accounts receivable       | 295,567        |

**Total Assets** \$ 210,921,537

**Liabilities and Fund Balance**

**Liabilities**

|                    |               |
|--------------------|---------------|
| Accounts payable   | \$ 20,883,097 |
| Due to other funds | 29,685        |

**Total Liabilities** 20,912,782

**Fund Balance**

|            |                    |
|------------|--------------------|
| Restricted | <u>190,008,755</u> |
|------------|--------------------|

**Total Fund Balance** 190,008,755

**Total Liabilities and Fund Balance** \$ 210,921,537

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, 2019**

|  |                              |
|--|------------------------------|
| <b>Revenues</b>                          |                              |
| Interest and investment income           | \$ 11,612,526                |
| <b>Total Revenues</b>                    | <u>11,612,526</u>            |
| <br>                                     |                              |
| <b>Expenditures</b>                      |                              |
| Salaries                                 | 400,154                      |
| Benefits                                 | 197,695                      |
| Supplies                                 | 1,249,131                    |
| Other services                           | 1,627,419                    |
| Capital outlay                           | <u>101,748,520</u>           |
| <b>Total Expenditures</b>                | <u>105,222,919</u>           |
| <br>                                     |                              |
| Net change in fund balance               | (93,610,393)                 |
| <br>                                     |                              |
| <b>Fund Balance at Beginning of Year</b> | <u>283,619,148</u>           |
| <br>                                     |                              |
| <b>Fund Balance at End of Year</b>       | <u><u>\$ 190,008,755</u></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, 2019**

**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, 2019**

**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, 2019 is measured at 100.54% 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, 2019**

**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, 2019.

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 2: DEPOSITS AND INVESTMENTS**

Investments with fiscal agent at June 30, 2019 are presented herein.

| Maturities<br>(in Years) | Fair Value           | U.S. Treasury        | Federal Agency       | Corporate         | U.S. Government         |
|--------------------------|----------------------|----------------------|----------------------|-------------------|-------------------------|
|                          |                      | Bonds                | Bonds                | Bonds             | Sponsored<br>Enterprise |
| Less Than 1              | \$ 1,285,586         | \$ 1,266,256         | \$ -                 | \$ -              | \$ 19,330               |
| 1 to 5                   | 9,893,804            | 7,946,693            | 1,198,570            | 748,541           | -                       |
| 6 to 10                  | 19,272,964           | 7,374,546            | 4,676,073            | -                 | 7,222,345               |
| More Than 10             | 32,216,555           | 17,566,626           | 4,362,965            | -                 | 10,286,964              |
| Total                    | <u>\$ 62,668,909</u> | <u>\$ 34,154,121</u> | <u>\$ 10,237,608</u> | <u>\$ 748,541</u> | <u>\$ 17,528,639</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, 2019 are presented herein.

| Investment  | Fair Value           | Standard &<br>Poor's Rating |
|---|----------------------|-----------------------------|
| U.S. Treasury Bonds (Level 1 Inputs)                  | \$ 34,154,121        | AA+                         |
| Federal Agency Bonds (Level 1 Inputs)                 | 10,237,608           | AA+                         |
| Corporate Bonds (Level 1 Inputs)                      | 748,541              | AA+                         |
| U.S. Government Sponsored Enterprise (Level 2 Inputs) | 17,528,639           | AAAm                        |
| Total   | <u>\$ 62,668,909</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

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 2: DEPOSITS AND INVESTMENTS**

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; 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, 2019**

**NOTE 3: BONDED DEBT:**

**Payments - Measure M**

**Series 2013A**

The annual requirements to amortize Series 2013A bonds payable, outstanding as of June 30, 2019, are presented herein.

| <b>Year<br/>Ended<br/>June 30</b> | <b>Principal</b>      | <b>Current<br/>Interest<br/>Component</b> | <b>Total</b>          |
|-----------------------------------|-----------------------|---|-----------------------|
| 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                              | 3,175,000             | 6,325,600                                 | 9,500,600             |
| 2024                              | 3,640,000             | 6,189,300                                 | 9,829,300             |
| 2025-2029                         | 26,525,000            | 27,762,000                                | 54,287,000            |
| 2030-2034                         | 44,305,000            | 20,041,800                                | 64,346,800            |
| 2035-2039                         | 67,825,000            | 8,155,200                                 | 75,980,200            |
|                                   | <u>\$ 152,470,000</u> | <u>\$ 88,094,200</u>                      | <u>\$ 240,564,200</u> |

**Series 2016C**

The annual requirements to amortize Series 2016C bonds payable, outstanding as of June 30, 2019, are presented herein.

| <b>Year<br/>Ended<br/>June 30</b> | <b>Principal</b>     | <b>Current<br/>Interest<br/>Component</b> | <b>Total</b>         |
|-----------------------------------|----------------------|---|----------------------|
| 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                              | 3,600,000            | 107,296                                   | 3,707,296            |
| 2024                              | 3,815,000            | 37,673                                    | 3,852,673            |
|                                   | <u>\$ 17,095,000</u> | <u>\$ 779,216</u>                         | <u>\$ 17,874,216</u> |

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019**

**NOTE 3: BONDED DEBT:**

**Series 2017D**

The annual requirements to amortize Series 2017D bonds payable, outstanding as of June 30, 2019, are presented herein.

| <b>Year<br/>Ended<br/>June 30</b> | <b>Principal</b>      | <b>Current<br/>Interest<br/>Component</b> | <b>Total</b>          |
|-----------------------------------|-----------------------|---|-----------------------|
| 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                              | -                     | 12,841,000                                | 12,841,000            |
| 2024                              | -                     | 12,841,000                                | 12,841,000            |
| 2025-2029                         | 32,385,000            | 60,247,125                                | 92,632,125            |
| 2030-2034                         | 46,175,000            | 51,723,125                                | 97,898,125            |
| 2035-2039                         | 101,690,000           | 32,874,750                                | 134,564,750           |
| 2040-2043                         | <u>98,000,000</u>     | <u>7,322,500</u>                          | <u>105,322,500</u>    |
|                                   | <u>\$ 280,000,000</u> | <u>\$ 216,407,500</u>                     | <u>\$ 496,407,500</u> |

**Series 2017E**

The annual requirements to amortize Series 2017E bonds payable, outstanding as of June 30, 2019, are presented herein.

| <b>Year<br/>Ended<br/>June 30</b> | <b>Principal</b>     | <b>Current<br/>Interest<br/>Component</b> | <b>Total</b>         |
|-----------------------------------|----------------------|---|----------------------|
| 2020                              | <u>\$ 10,350,000</u> | <u>\$ 87,613</u>                          | <u>\$ 10,437,613</u> |
|                                   | <u>\$ 10,350,000</u> | <u>\$ 87,613</u>                          | <u>\$ 10,437,613</u> |

The outstanding general obligation bonded debt of the District at June 30, 2019 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, 2019**

**NOTE 3: BONDED DEBT:**

|       | <u>Issue<br/>Date</u> | <u>Interest<br/>Rate %</u> | <u>Maturity<br/>Date</u> | <u>Amount<br/>of Original<br/>Issue</u> | <u>Outstanding<br/>June 30, 2019</u> |
|-------|-----------------------|----------------------------|--------------------------|---|--------------------------------------|
| 2013A | 5/29/2013             | 1.50 - 5.00                | 8/1/2038                 | \$ 190,000,000                          | \$ 152,470,000                       |
| 2013B | 5/29/2013             | 0.45 - 5.00                | 8/1/2018                 | 10,000,000                              | -                                    |
| 2016C | 8/31/2016             | 0.80-1.98                  | 8/1/2023                 | 30,000,000                              | 17,095,000                           |
| 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                              | 10,350,000                           |
|       |                       |                            |                          | <u>\$ 530,000,000</u>                   | <u>\$ 459,915,000</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, 2019, the District was committed under various capital expenditure purchase agreements for Measure M bond projects totaling approximately \$55.26 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, 2019, and the related notes to the financial statements as listed in the table of contents, and have issued our report thereon dated November 14, 2019.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

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



**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***

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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 that we consider to be a significant deficiency.

**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*.

**District's Response to Findings**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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  
November 14, 2019

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

**SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2019**

**2019-001      CLOSING PROCEDURES**

**Finding:** The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amount reported in the financial statements. We noted that the Measure M General Obligation Bond Fund incurred expenses related to services and equipment received prior to June 30, 2019 that were not accrued. Sixty-five invoices were identified as not accrued, resulting in an adjustment of \$3,720,732 to the Measure M General Obligation Bond Fund.

**Recommendation:** Established procedures related to the closing process should be followed. Cross training of employees and/or documenting responsibilities of specific functions and key responsibilities should be done to ensure tasks are followed on a consistent basis. Review by individuals not immediately involved in the closing process should be done to identify error or omissions.

**District Response:** The District concurs with the importance of ensuring all expenditures are charged to the appropriate period. The error in the accruals for the June 30, 2019 financial statements can be traced to our July 1, 2019 financial system conversion. Processes that are normally automatic in the system had to be replicated manually and the manual system was untested and inadequate to capture all of the required accruals.

The District shall update the closing procedures to include campus facility construction managers listing of outstanding payment applications as well as additional documentation and training for accounts payable staff. An internal review of the closing process will also be performed in the fiscal office outside of the accounts payable department to identify any errors or omissions.

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

**STATUS OF PRIOR FINDINGS  
June 30, 2019**

There were no findings related to the financial audit of the Measure M General Obligation Bond Funds for the prior year.

**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, 2019.

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, 2019, 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  
November 14, 2019



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

**PROPOSITION 39 PERFORMANCE AUDIT  
June 30, 2019**

**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, 2019**

**SCOPE OF THE AUDIT**

The scope of our performance audit covered the fiscal period from July 1, 2018 to June 30, 2019. 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, 2019, 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, 2019. Our sample included 111 transactions totaling \$53,904,189. This represents 51.5% of total non-salary expenditures of \$104,625,070.
- 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, 2019. Our sample of expenditures for salaries and benefits included \$272,254 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 Measure M bond projects as allowable under 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, 2019**

**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, 2019. 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, 2019.



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

**PROPOSITION 39 PERFORMANCE AUDIT  
June 30, 2019**

**SCHEDULE OF BOND PROJECTS SUMMARY**

A summary of Measure M General Obligation Bonds Funds' expenditures for the year ended June 30, 2019 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 TECH-Enterprise VDC & Server | \$ 24,078        |
| District TECH- VOIP Conversion        | 754,305          |
| District Planning/Admin               | <u>1,030,491</u> |
| Total Expenditures for District       | <u>1,808,874</u> |

Orange Coast College (OCC)

|   |                   |
|---|-------------------|
| OCC Recycling Center                        | 1,000             |
| OCC Maritime Academy                        | 934,179           |
| OCC Language/Social Sciences                | 1,319,925         |
| OCC Adaptive PE,Gym, Pool                   | 13,466,688        |
| OCC Planetarium                             | 6,712,175         |
| OCC Sailing Center Dock Renovation          | 22,221            |
| OCC Student Union Complex                   | 36,268,002        |
| OCC Clark Center                            | 202,847           |
| OCC Dance                                   | 33,595            |
| OCC Watson Hall Improvements                | 116,314           |
| OCC SL-Bikeways/Skateways                   | 12,923            |
| OCC SL - Adams Landscape                    | 53,546            |
| OCC WP- Skill Center & Technology           | 508,319           |
| OCC WP- Horticulture Improvements           | <u>37,863</u>     |
| Total Expenditures for Orange Coast College | <u>59,689,597</u> |

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

**PROPOSITION 39 PERFORMANCE AUDIT  
June 30, 2019**

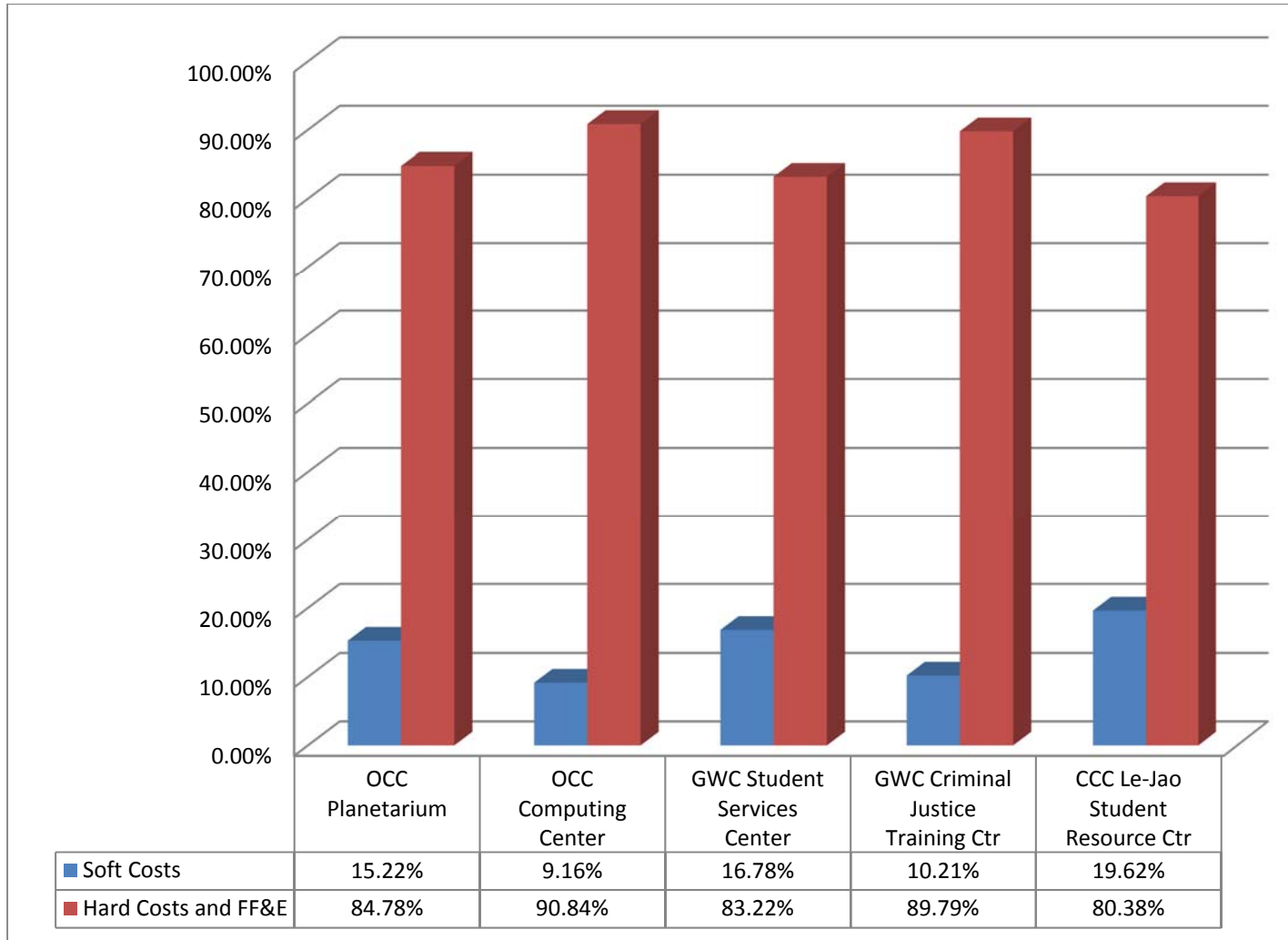
**SCHEDULE OF BOND PROJECTS SUMMARY**

**Measure M Project Expenditures: (continued)**

|   |                                     |
|---|-------------------------------------|
| Total expenditures from previous page   | \$ 61,498,471                       |
| Golden West College (GWC)   |                                     |
| GWC Student Services Center   | 102,394                             |
| GWC Math and Science Building   | 38,575,583                          |
| GWC Criminal Justice Center   | 294,804                             |
| GWC Classroom Refurbishment   | 799,401                             |
| GWC Language Arts Complex   | 1,248,624                           |
| GWC Thermal Energy Storage  | 748,111                             |
| GWC Security, Access, Surveillance  | <u>19,927</u>                       |
| Total Expenditures for Golden West College  | <u>41,788,844</u>                   |
| Coastline College (CCC)   |                                     |
| CCC Le-Jao Student Resource Center  | 26,429                              |
| CCC Tech Kiosks and Signage   | 59,265                              |
| CCC College Ctr Student Support   | 562,140                             |
| CCC Newport Beach Student Support Center  | <u>(38,707)</u>                     |
| Total Expenditures for Coastline College  | <u>609,127</u>                      |
| Total Project Expenditures for the Period from July 1, 2018 through June 30, 2019 | 103,896,442                         |
| District Voice over IP Project  | 1,194,883                           |
| District General Reserves - Investment Service Charge                             | <u>131,594</u>                      |
| <b>Total Measure M Project Expenditures</b>                                       | <b><u><u>\$ 105,222,919</u></u></b> |

**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, 2019**



See the accompanying notes to the supplementary information (unaudited)

**COAST COMMUNITY COLLEGE DISTRICT  
MEASURE M GENERAL OBLIGATION BOND FUNDS  
PROPOSITION 39 PERFORMANCE AUDIT  
June 30, 2019**

**NOTES TO THE SUPPLEMENTARY INFORMATION (UNAUDITED)**

A compilation and comparison of project soft costs for projects that have been completed by the District during fiscal year 2018-2019 and for which full costs is reflected as of June 30, 2019. 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 2018-2019:

- OCC Planetarium
- OCC Computing Center
- GWC Student Services Center
- GWC Criminal Justice Training Center
- CCC Le-Jao Student Resource Center

"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.

