

COAST COMMUNITY COLLEGE DISTRICT

**MEASURE M
GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS**

June 30, 2020

COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS

FINANCIAL STATEMENTS
June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Coast Community College District (the "District") Measure M General Obligation Bonds (the "Bonds") activity as of and for the year ended June 30, 2020, 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 from 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.

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 Coast Community College District Measure M General Obligation Bonds activity as of June 30, 2020, and the change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matter

As discussed in Note 1, the financial statements present the financial activity and balances of the Measure M General Obligation Bonds activity only, and do not purport to, and do not, present fairly the financial position of Coast Community College District as of June 30, 2020, or the changes 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the Measure M General Obligation Bonds activity. 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 financial reporting or on compliance for the Measure M General Obligation Bonds activity. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance for the Measure M General Obligation Bonds activity.


Crowe LLP

Sacramento, California
February 22, 2021

COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2020

ASSETS

Deposits and investments (Note 2)	
Cash in County Treasury	\$ 184,544,411
Cash and equivalents	2,455,198
Investments	68,925,343
Accounts receivable	191,534
Due from other funds	<u>1,737,639</u>
 Total assets	 <u>\$ 257,854,125</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	<u>\$ 21,512,920</u>
 Total liabilities	 <u>21,512,920</u>
 Fund balance:	
Restricted	<u>236,341,205</u>
 Total fund balance	 <u>236,341,205</u>
 Total liabilities and fund balance	 <u>\$ 257,854,125</u>

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
For the fiscal year ended June 30, 2020

Revenues	
Interest and investment income	\$ 11,886,349
Other state income	<u>28,249</u>
Total revenues	<u>11,914,598</u>
Expenditures	
Current:	
Salaries	462,232
Employee benefits	259,195
Supplies	3,090,144
Other services	1,650,650
Capital outlay	<u>128,116,180</u>
Total expenditures	<u>133,578,401</u>
Deficiencies of revenue under expenditures	(121,663,803)
Other financing sources	
Proceeds from the issuance of debt	<u>167,996,253</u>
Change in fund balance	46,332,450
Fund balance, July 1, 2019	<u>190,008,755</u>
Fund balance, June 30, 2020	<u>\$ 236,341,205</u>

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies: The accounting policies of Coast Community College District conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California community colleges. The District accounts for its financial transactions in accordance with policies and procedures of the State Chancellor Office's California Community Colleges Budget and Accounting Manual. The activities of the Measure M Bonds are recorded along with other activities in the District's Measure M General Obligation Bond Fund. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies:

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 District in compliance with accounting principles generally accepted in the United States of America.

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

The financial statements represent the Measure M General Obligation Bond Fund of the District and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Cash and Cash Equivalents: For the purpose of financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Orange County Treasury are considered cash equivalents.

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. All encumbrances are liquidated as of June 30.

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.

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.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS

Cash in County Treasury: 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. 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.

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 in County Treasury at June 30, 2020 totaled \$184,544,411.

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Measure M Bond Fund only invests in county pooled investments which are not required to be rated.

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, 2020.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments at June 30, 2020 are presented herein.

<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>U.S. Treasury Bonds</u>	<u>Corporate Bonds</u>	<u>U.S. Government Sponsored Enterprise</u>
Less than 1	\$ 3,016,720	\$ 2,258,281	\$ 758,439	\$ -
1 to 5	9,133,387	7,871,844	-	1,261,543
6 to 10	24,675,309	6,354,623	-	18,320,686
More than 10	<u>32,099,927</u>	<u>21,539,657</u>	<u>-</u>	<u>10,560,270</u>
Total	<u>\$ 68,925,343</u>	<u>\$ 38,024,405</u>	<u>\$ 758,439</u>	<u>\$ 30,142,499</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, 2020 are presented herein.

<u>Investment</u>	<u>Fair Value</u>	<u>Standard & Poor's Rating</u>
U.S. treasury bonds (Level 1 inputs)	\$ 38,024,405	AA+
Corporate bonds (Level 1 inputs)	758,439	A to AA-
U.S. government sponsored enterprise (Level 1 inputs)	<u>30,142,499</u>	AAAm
Total	<u>\$ 68,925,343</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; 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.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 totaling \$190,000,000, 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. Series 2013A bonds mature August 1, 2013 through August 1, 2024 and bear interest at rates ranging from 1.50% to 5.00% with interest due semiannually on August 1 and February 1.
2. General Obligation Bonds, Series 2013B, totaling \$10,000,000, to (i) finance an endowment for voter-approved technology upgrades, and (ii) pay the costs of issuance associated with Series 2013B. Series 2013B bonds matured August 1, 2018.

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. Series C bonds mature August 1, 2017 through August 1, 2023 and bear interest at rates ranging from 0.80% to 1.98% with interest due semiannually on August 1 and February 1.

On March 29, 2017, the District issued bonds, Series D and Series E, totaling \$300,000,000, 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 D bonds mature August 1, 2019 through August 1, 2042 and bear interest at rates ranging from 4.0% to 5.00% with interest due semiannually on August 1 and February 1. Series E bonds were issued to (i) finance voter-approved technology upgrades, and (ii) pay the costs of issuing the Series E bonds. The Series E bonds matured August 1, 2019.

On November 20, 2019, the District issued bonds, Series 2019F, totaling \$167,996,253, to (i) finance the repair, upgrading, acquisition, construction, and equipping of District sites and facilities and (ii) pay the costs of issuing the 2019F bonds. The current interest bonds of \$84,700,000 mature August 1, 2021 through August 1, 2039 and bear interest at rates ranging from 3.00% to 4.00% with interest due semiannually on August 1 and February 1. The Capital Appreciation Bonds of \$83,296,253 mature August 1, 2025 through August 1, 2043 and bear interest at rates ranging from 1.680% to 3.180%.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
 MEASURE M GENERAL OBLIGATION BONDS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 3 – BONDED DEBT (Continued)

Payments - Measure M:

Series 2013A - The annual requirements to amortize Series 2013A bonds payable, outstanding as of June 30, 2020, are presented herein.

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,335,000	\$ 640,800	\$ 2,975,800
2022	2,745,000	547,400	3,292,400
2023	3,175,000	437,600	3,612,600
2024	3,640,000	310,600	3,950,600
2025	<u>4,125,000</u>	<u>165,000</u>	<u>4,290,000</u>
	<u>\$ 16,020,000</u>	<u>\$ 2,101,400</u>	<u>\$ 18,121,400</u>

Series 2016C - The annual requirements to amortize Series 2016C bonds payable, outstanding as of June 30, 2020, are presented herein.

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,220,000	\$ 214,465	\$ 3,434,465
2022	3,400,000	165,689	3,565,689
2023	3,600,000	107,296	3,707,296
2024	<u>3,815,000</u>	<u>37,673</u>	<u>3,852,673</u>
	<u>\$ 14,035,000</u>	<u>\$ 525,123</u>	<u>\$ 14,560,123</u>

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 – BONDED DEBT (Continued)

Series 2017D - The annual requirements to amortize Series 2017D bonds payable, outstanding as of June 30, 2020, are presented herein.

Year Ended June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	5,330,000	12,707,750	18,037,750
2026-2030	32,555,000	58,623,625	91,178,625
2031-2035	58,695,000	49,272,875	107,967,875
2036-2040	116,670,000	27,583,250	144,253,250
2041-2043	<u>65,000,000</u>	<u>3,980,000</u>	<u>68,980,000</u>
	<u>\$ 278,250,000</u>	<u>\$ 203,531,500</u>	<u>\$ 481,781,500</u>

Series 2019F – Current Interest - The annual requirements to amortize Series 2019F Current Interest bonds payable, outstanding as of June 30, 2020, are presented herein.

Year Ended June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 1,853,507	\$ 1,853,507
2022	1,245,000	2,978,850	4,223,850
2023	2,715,000	2,941,500	5,656,500
2024	1,580,000	2,832,900	4,412,900
2025	-	2,769,700	2,769,700
2026-2030	12,835,000	13,522,700	26,357,700
2031-2035	26,655,000	8,692,700	35,347,700
2036-2040	<u>39,670,000</u>	<u>4,972,350</u>	<u>44,642,350</u>
	<u>\$ 84,700,000</u>	<u>\$ 40,564,207</u>	<u>\$ 125,264,207</u>

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 – BONDED DEBT (Continued)

Series 2019F – Capital Appreciation - The annual requirements to amortize Series 2019F Capital Appreciation bonds payable, outstanding as of June 30, 2020, are presented herein.

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026-2030	\$ 118,329	\$ 11,671	\$ 130,000
2031-2035	-	-	-
2036-2040	2,136,288	1,223,712	3,360,000
2041-2044	<u>81,041,636</u>	<u>81,163,364</u>	<u>162,205,000</u>
	<u>\$ 83,296,253</u>	<u>\$ 82,398,747</u>	<u>\$ 165,695,000</u>

Series 2019 Refunding - The annual requirements to amortize Series 2019 Refunding bonds payable, outstanding as of June 30, 2020, are presented herein.

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,435,000	\$ 4,010,898	\$ 7,445,898
2022	1,595,000	3,968,210	5,563,210
2023	1,625,000	3,939,710	5,564,710
2024	1,655,000	3,909,617	5,564,617
2025	1,685,000	3,877,362	5,562,362
2026-2030	35,510,000	17,359,376	52,869,376
2031-2035	50,835,000	11,764,651	62,599,651
2036-2039	<u>54,625,000</u>	<u>3,354,204</u>	<u>57,979,204</u>
	<u>\$ 150,965,000</u>	<u>\$ 52,184,028</u>	<u>\$ 203,149,028</u>

The outstanding Measure M general obligation bonds of the District at June 30, 2020 is

	<u>Issue Date</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2020</u>
2013A	05/29/2013	1.50 – 5.00	8/1/2024	\$ 190,000,000	\$ 16,020,000
2016C	08/31/2016	0.80 – 1.98	8/1/2023	30,000,000	14,035,000
2017D	03/29/2017	4.00 – 5.00	8/1/2042	280,000,000	278,250,000
2019F	11/20/2019	1.68 – 4.00	8/1/2043	167,996,253	167,996,253
2019AR	11/20/2019	1.67 – 2.96	8/1/2038	<u>150,965,000</u>	<u>150,965,000</u>
				<u>\$ 818,961,253</u>	<u>\$ 627,266,253</u>

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 Bonds financial statements.

Purchase Commitments: As of June 30, 2020, the District was committed under various capital expenditure purchase agreements for Measure M bond projects totaling approximately \$82.8 million.

NOTE 5 – COVID-19 IMPACT

In December 2019, a novel strain of coronavirus surfaced (COVID-19) and spread around the world, with resulting business and social disruption. In response to the pandemic and in compliance with various state and local ordinances, the District closed physical campuses and transitioned to an online learning model.

The operations and business results of the District could be materially adversely affected in the future including a reduction in the level of funding and impact to the timing of cash flows. In addition, significant estimates may be materially adversely impacted by national, state and local events designed to contain the coronavirus. Debt ratings for outstanding issuances may further be impacted. For the 2021 school year, the District is offering instruction in formats consistent with local health guidelines. Throughout the pandemic the District has put into practice a number of safety measures to protect students, faculty and employees and will continue to revise them as needed.

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
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 financial statements of the Coast Community College District (the District) Measure M General Obligation Bonds activity, as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated February 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over Measure M General Obligation Bond activity financial reporting (internal control) as a basis for designing 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 entity's 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coast Community College District Measure M, General Obligation Bonds financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 over financial reporting 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.


Crowe LLP

Sacramento, California
February 22, 2021

COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2020

No matters were reported

COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
SCHEDULE OF PRIOR YEAR FINDINGS
June 30, 2020

Finding: 2019-001

Condition: 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.

Current Status: Implemented

Explanation if not Fully Implemented: