

COAST COMMUNITY COLLEGE DISTRICT

**MEASURE M
GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS**

June 30, 2023

COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS

FINANCIAL STATEMENTS
June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of the Measure M General Obligation Bonds (the "Bonds") activity of Coast Community College District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Measure M General Obligation Bonds activity, of Coast Community College District, as of June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Coast Community College District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial activity and balances of the Measure M General Obligation Bonds activity and do not purport to, and do not, present fairly the financial position of Coast Community College District, as of June 30, 2023, the changes in its financial position or, where applicable, its cash flows 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

(Continued)

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Coast Community College District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2023 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 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 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 Bonds activity.



Crowe LLP

Sacramento, California
December 1, 2023

COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2023

ASSETS

Deposits and investments (Note 2)

Cash in County Treasury	\$ 60,113,313
Cash and equivalents	2,121,943
Investments	57,211,279
Accounts receivable	187,071
Due from other funds	<u>2,666,205</u>
 Total assets	 <u>\$ 122,299,811</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 9,249,918
Due to other funds	<u>252,002</u>
Total liabilities	<u>9,501,920</u>

Fund balance:

Restricted	<u>112,797,891</u>
Total fund balance	<u>112,797,891</u>

Total liabilities and fund balance \$ 122,299,811

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, 2023

Revenues

Interest and investment income	\$ 3,428,643
Fair market value change in investment	(2,762,831)
Local revenue	<u>66,473</u>
Total revenues	<u>732,285</u>

Expenditures

Current:	
Salaries	540,959
Employee benefits	275,570
Supplies	1,450,792
Other services	251,423
Capital outlay	<u>19,943,228</u>
Total expenditures	<u>22,461,972</u>

Deficiency of revenue under expenditures 21,729,687

Fund balance, July 1, 2022 134,527,578

Fund balance, June 30, 2023 \$ 112,797,891

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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.

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, 2023

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, 2023 totaled \$60,113,313.

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, 2023.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 – BONDED DEBT (Continued)

The outstanding Measure M general obligation bonds of the District at June 30, 2023 is

	<u>Issue Date</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	Amount of Original <u>Issue</u>	<u>Outstanding June 30, 2023</u>
2013A	05/29/2013	1.50 – 5.00	8/1/2024	\$ 190,000,000	\$ 7,765,000
2016C	08/31/2016	0.80 – 1.98	8/1/2023	30,000,000	3,815,000
2017D	03/29/2017	4.00 – 5.00	8/1/2042	280,000,000	120,035,000
2019F	11/20/2019	1.68 – 4.00	8/1/2043	167,996,253	164,036,253
2019AR	11/20/2019	1.67 – 2.96	8/1/2038	150,965,000	144,310,000
2022R	02/08/2022	0.52 – 2.98	8/1/2039	<u>205,715,000</u>	<u>203,860,000</u>
				<u>\$ 1,024,676,253</u>	<u>\$ 643,821,253</u>

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, 2023, the District was committed under various capital expenditure purchase agreements for Measure M bond projects totaling approximately \$47.3 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
Coast Community College District
Costa Mesa, California

We have audited, in accordance with the 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 Measure M General Obligation Bonds (the "Bonds") activity of Coast Community College District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's Measure M General Obligation Bonds activity financial statements, and have issued our report thereon dated December 1, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Coast Community College District's internal control over Measure M General Obligation Bonds 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 Coast Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of Coast Community College 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 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 or significant deficiencies may exist that have not been identified.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coast Community College District's Measure M General Obligation Bonds activity financial statements are free from 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 noncompliance 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.



Crowe LLP

Sacramento, California
December 1, 2023

COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2023

No matters were reported.

COAST COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
SCHEDULE OF PRIOR YEAR FINDINGS
June 30, 2023

No matters were reported.