

**COAST COMMUNITY COLLEGE DISTRICT
ORANGE COUNTY**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2019**



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COAST COMMUNITY COLLEGE DISTRICT
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June 30, 2019

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INDEPENDENT AUDITORS' 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) 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.

Auditors' 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 auditors' 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, we consider 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.

INDEPENDENT AUDITORS' REPORT

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

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 listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the District as of June 30, 2019, and the results of its operations, changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2019, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Replacements*. Our auditors' opinion was not modified with respect to the implementation.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information schedules as listed in the aforementioned table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the District's financial statements as a whole. The supplementary schedules, and the continuing disclosure information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of

INDEPENDENT AUDITORS' REPORT

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

additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The supplementary section, including the schedule of expenditures of federal awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary section, including the schedule of expenditures of federal awards, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The continuing disclosure information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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 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 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 financial reporting and compliance.



CliftonLarsonAllen LLP
Glendora, California
November 14, 2019

COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2019

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the Coast Community College District (the "District") for the year ended June 30, 2019. This discussion has been prepared by management, and should be read in conjunction with the financial statements and notes thereto which follow this section.

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

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

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

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

Each of these statements will be reviewed and significant events discussed. The previous year's financial information is also provided for comparison.

Financial and Enrollment Highlights

Key assumptions in the 2018-19 Adopted Budget plan included 1) a 2.71% Cost of Living Adjustment, 2) a Per-Employee-Per-Year (PEPY) cost of health benefits of \$17,520, reflecting the total current year cost of \$42.2 million, or a year-over-year programmatic increase of 1.41%, 3) No budgeted growth, 4) combined pension contribution increases across both the California Public Employees Retirement System (CalPERS) and the California State Teachers Retirement System (Cal STRS) totaled \$3.4 million, and 6) a beginning fund balance of \$36.3 million.

COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2019

The District ended the 2018-2019 FY with a \$35.1 million fund balance. This represents a \$1.2 million decline from the prior year amount of \$36.3 million. Nevertheless, the District has maintained resources sufficient to provide cash flow stability for the District without external borrowing. Health and welfare benefit costs continue to rise and are being monitored. Additional funds were set aside to fund the future retiree benefits liability. The District continues to manage its retiree health trust across two programs including the Community College League of California Joint Powers Authority and the Keenan Futuris program. The District's Retirement Board of Authority meets on a quarterly basis to review and evaluate performance of the trusts. At June 30, 2019, between the two programs, \$80.1 million is held in an irrevocable trust to meet the District's liability of approximately \$103.5 million. Although the new Governmental Accounting Standards Board (GASB) requirements no longer use the Annual Required Contribution (ARC) as a measure, this in no way changes the District's contractual obligations and we will continue to budget both pay-as-you-go costs as well as an amount to mitigate the unfunded liability in the next 15-20 years.

The District runs the Banner financial software which is integrated with the human resources and student systems. The District uses the position budgeting feature to build the budgets and allows on-line budget transfers for faster, more accurate processing. The Banner financial software is also used for the student system. The student financials feed into the Banner financial system which uses an accrual method of accounting. The District has implemented the Financial Aid management and reporting function into the Banner system. Further, the District is now in the process of moving from Banner v8 to Banner v9. We have a target go-live date of July 1, 2019. This project will also involve moving our data storage from an on-premises data center to the cloud.

On November 6, 2012, the District voters approved and authorized the issuance and sale of \$698 million principal amount of Measure M general obligation bonds of the District. Total Measure M expenditures for the 2018-19 FY are \$105.2 million. Currently, Moody's has placed Coast at an "Aa1" rating reflecting the District's very large and growing coastal California tax base that is among the largest of Moody's-rated community college districts. The rating also includes the district's strong financial position that benefits from healthy liquidity available outside of General Fund operations. S&P Global Ratings raised its long-term rating and underlying rating (SPUR) to 'AA+' from 'AA.' This action reflected the district's strong local economy situated in Orange County, the district's very strong general fund reserves, the flexibility of community college districts in general to manage their enrollment and programs in response to funding levels, and the district's low to moderate debt burden.

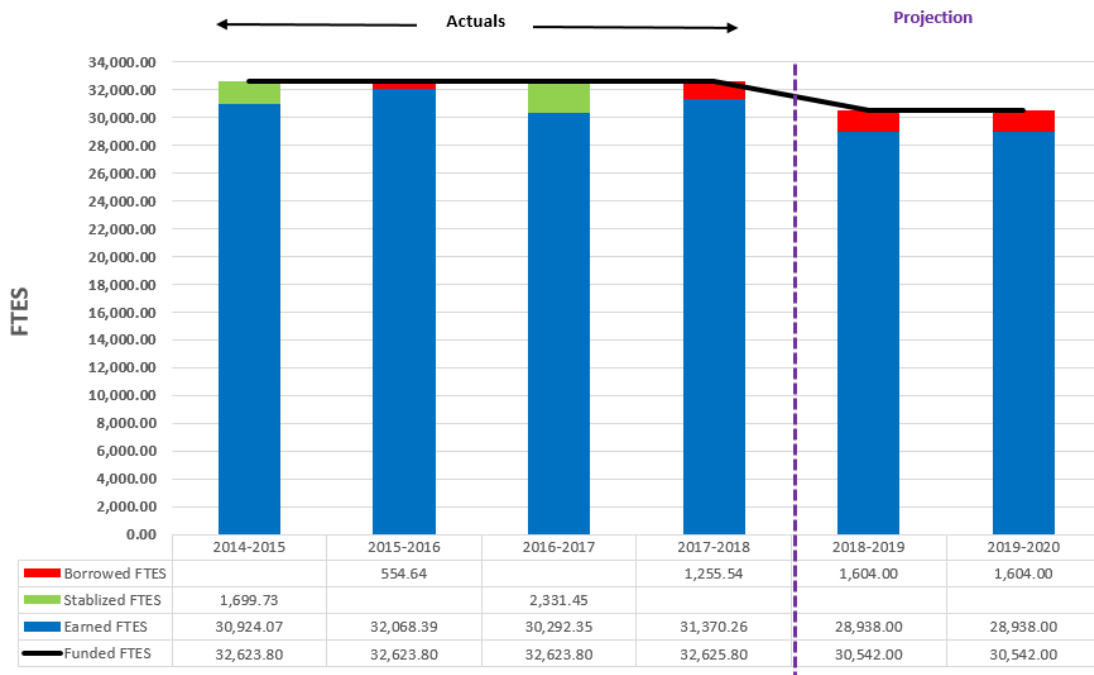
COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2019

The 2018-19 FY Adopted budget was based on the revenue associated with serving 30,542 resident Full-Time Equivalent Students (FTES). Under the recently enacted Student Centered Funding Formula (SCFF), Stabilization, a tool long used by districts to manage enrollment declines, is no longer available. However, strategically shifting (borrowing) summer FTES remains a viable tool. Funded FTES is now a function of a three-year rolling average. Further, certain enrollments including, for example, Incarcerated, Special Admits, and Non-Residents are measured outside the SCFF. To make base in the 2018-19 FY, Coast borrowed 1,604 FTES from Summer 2019 that would have otherwise been reported in the 2019-20 FY to report in the 2018-19 FY.

**Annual Enrollment
Full-Time Equivalent Students (FTES)**



*Under SCFF, stabilization is eliminated. Funded FTES is a function of a funded credit FTES, which is a function of a 3-year rolling average.

COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2019

Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net position, the difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources, are one way to measure the financial health of the District.

COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2019

	(in thousands)		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 112,360	\$ 120,042	-6%
Investments	65,444	60,185	9%
Account receivables	20,148	18,117	11%
Notes receivable - current portion	750	750	0%
Due from fiduciary funds	324	1,042	-69%
Inventories	68	73	-7%
Prepaid expenses	2,000	22	8991%
Total current assets	<u>201,094</u>	<u>200,231</u>	0%
Non-current assets			
Restricted cash and cash equivalents	214,913	314,319	-32%
Restricted student loans receivable, net	2,550	2,829	-10%
Notes receivable	10,688	11,438	-7%
Capital assets, net of depreciation	662,163	577,923	15%
Total non-current assets	<u>890,314</u>	<u>906,509</u>	-2%
TOTAL ASSETS	<u>1,091,408</u>	<u>1,106,740</u>	-1%
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	22,598	24,611	-8%
Deferred outflows - OPEB	5,151	-	N/A
Deferred outflows - pension	82,713	74,794	11%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>110,462</u>	<u>99,405</u>	11%
LIABILITIES			
Current liabilities	118,708	105,930	12%
Non-current liabilities	1,145,844	1,161,784	-1%
TOTAL LIABILITIES	<u>1,264,552</u>	<u>1,267,714</u>	0%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - OPEB	7,652	306	2401%
Deferred inflows - pension	11,693	13,897	-16%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>19,345</u>	<u>14,203</u>	36%
NET POSITION			
Invested in capital assets, net of related debt	54,184	80,207	-32%
Restricted	58,682	73,401	-20%
Unrestricted	(194,893)	(229,380)	-15%
TOTAL NET POSITION	<u>\$ (82,027)</u>	<u>\$ (75,772)</u>	-8%

COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2019

- Cash and cash equivalents consist mainly of cash held in the county treasury (\$307 million) and ancillary funds maintained at local banks. Cash decreased from the prior year due primarily to payments of debt obligations and payments of expenditures incurred for Measure M construction projects. At June 30, 2019, the building fund had a cash balance of approximately \$145.1 million.
- Investments increased primarily due to the interest earnings from the General Obligation Series E endowment funds.
- The increase in accounts receivable stemmed from a net a decrease in student receivables and an increase in grants and state apportionment accounts receivable.
- Prepaid assets increased due to payments of software maintenance, and property and liability insurance coverage for future fiscal years.
- Due to various GASB statements, the District reported a section on deferred outflows and inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. As for deferred inflows of resources, it represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Refer to Notes 11 and 12 for more details.
- Under GASB statements 67 and 68, the District's outstanding pension liability for both CalSTRS and CalPERS is \$270.3 million as of June 30, 2019.
- Current liabilities showed an increase of 12%. The major changes include the increase in accounts payable for construction projects and restricted grants and categorical programs unearned revenue.
- Net position showed a decrease of 8% from the prior year. Total operating expenses increased by \$10.9 million, or 3%, while total operating revenues decreased by \$2.1 million or -1%.

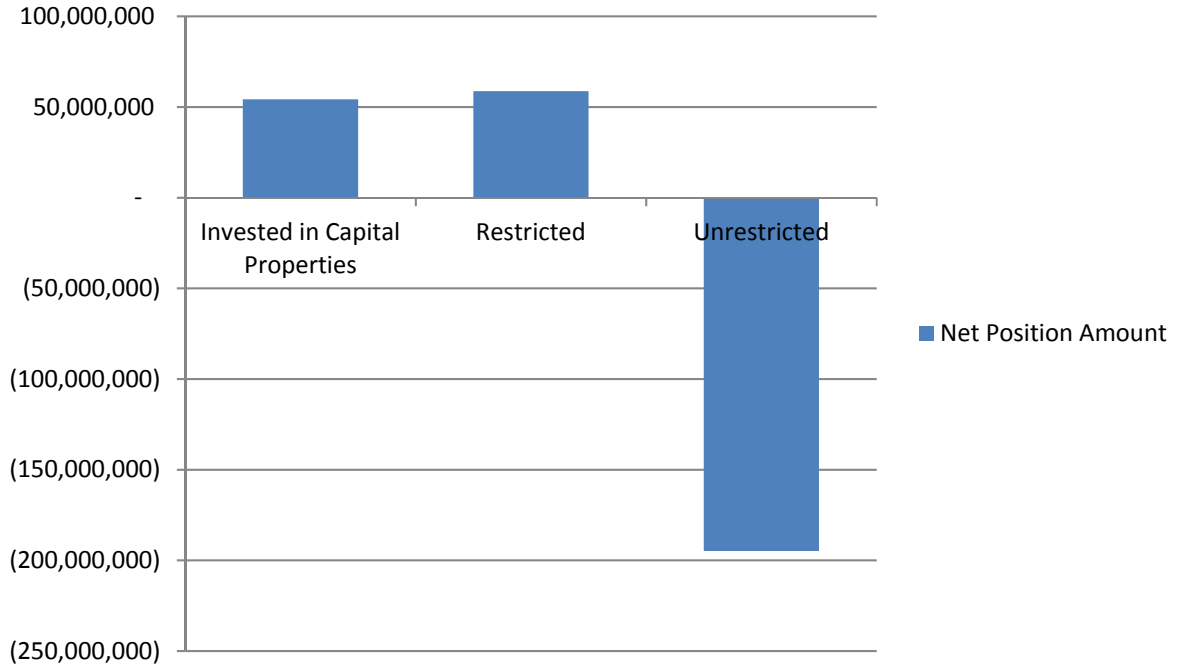
The Total OPEB Liability (TOL) decreased increased from \$107.4 million at the close of the 2017-18 FY, to \$103.5 million at the close of the 2018-19 FY. This change was driven largely by the District's changes in benefit plan. The District has set aside funds to cover retiree health liabilities in a GASB 75 qualifying trust. The Fiduciary Net Position of this trust at June 30, 2019 is \$80.1 million providing a Net OPEB Liability (NOL) of \$23.3 million.

COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2019

**Net Position
June 30, 2019**



COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2019

Statement of Revenues, Expenses and Changes in Net Position

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

COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2019

	(in thousands)		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
Operating Revenues			
Net tuition and fees	\$ 37,195	\$ 37,510	-1%
Grants and contracts, non-capital	121,278	122,925	-1%
Auxiliary sales and charges	<u>3,167</u>	<u>3,292</u>	-4%
Total operating revenues	<u>161,640</u>	<u>163,727</u>	-1%
Operating Expenses			
Salaries and benefits	257,664	251,932	2%
Supplies, materials and other operating expenses and services	53,204	48,314	10%
Financial aid	53,365	53,021	1%
Utilities	3,763	3,980	-5%
Depreciation	<u>21,290</u>	<u>21,168</u>	1%
Total operating expenses	<u>389,286</u>	<u>378,415</u>	3%
Operating loss	<u>(227,646)</u>	<u>(214,688)</u>	6%
Non-operating revenues (expenses)			
State apportionments, non-capital	45,169	39,472	14%
Local property taxes	136,564	129,195	6%
State taxes and other revenues	9,183	9,644	-5%
Investment income, non-capital	2,043	1,209	69%
Loss on disposal of capital assets	(2,515)	-	N/A
Perkins loan program liquidation	-	(2,589)	N/A
Interest expense	<u>(28,071)</u>	<u>(40,116)</u>	-30%
Total non-operating revenues (expenses)	<u>162,373</u>	<u>136,815</u>	19%
Other revenues, expenses, gains or losses			
Local property taxes and revenues, capital	45,664	44,210	3%
State apportionments, capital	575	1,572	0%
Investment income, capital	<u>12,779</u>	<u>4,108</u>	211%
Total other revenues, expenses, gains or losses	<u>59,018</u>	<u>49,890</u>	18%
Change in net position	(6,255)	(27,983)	-78%
Net position, beginning of year	<u>(75,772)</u>	<u>(47,789)</u>	59%
Net position, end of year	<u>\$ (82,027)</u>	<u>\$ (75,772)</u>	-8%

COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

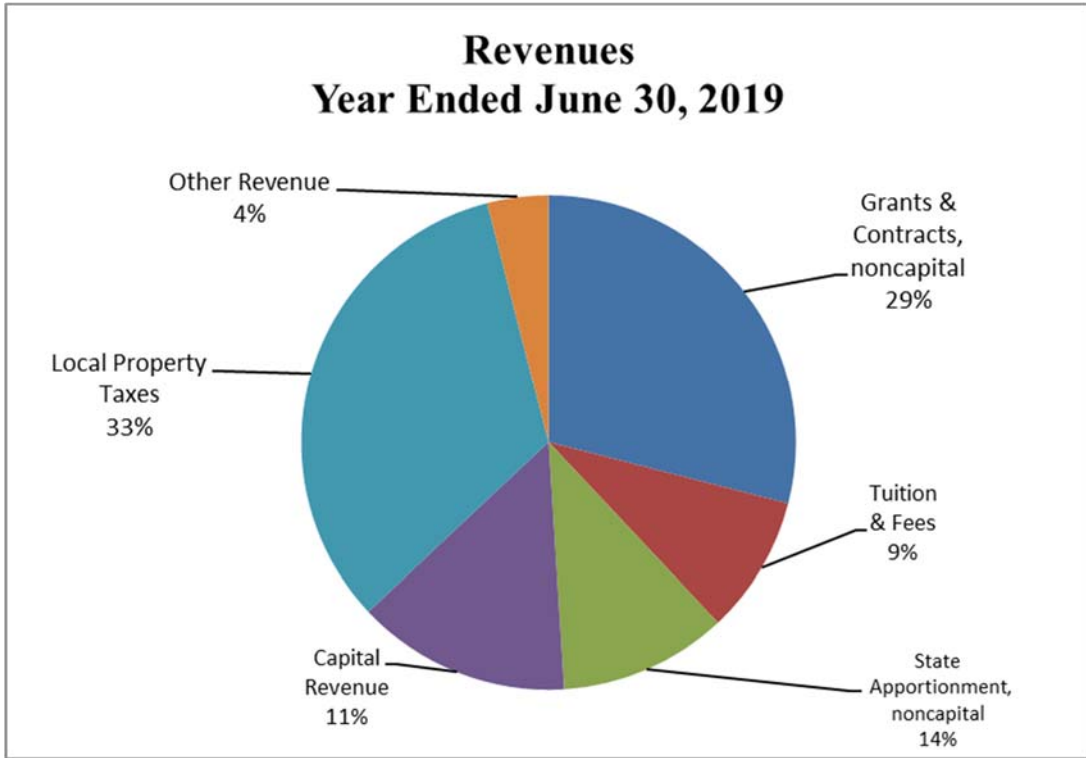
Fiscal Year Ending June 30, 2019

- Net tuition and fees consists of enrollment fees \$36.4 million, non-resident tuition \$13.9 million, and other fees \$7.5 million less scholarships, discounts and allowances \$20.7 million. Regular enrollment fees \$46 per unit are set by the State for all community colleges reflecting no change from the prior year; however, enrollment fees revenue decreased due to declining enrollment
- Revenue from grants and contracts is composed of federal grants (\$47.9 million), state grants (\$46.4 million), and local contracts (\$26.8 million). The decrease in federal funding was mainly due to the decrease in federal financial aid provided for students. The increase in state revenue included the net increase in Strong Workforce Programs and Student Equity and Achievement Program and decrease in various student success and completion grants.
- Salaries and benefits expenses increased by \$5.7 million or 2% because of the continuous implementation of the classification and compensation study, COLA increase, and the increasing pension and health benefit cost.
- The increase in other operating expenses was due to increasing self-insurance premiums and claims costs and having less capitalized expenses in construction projects.
- Robust property tax receipt, along with the EPA funding, has resulted in an increase total computational apportionment revenue based on the new SCFF calculation.
- The decrease in interest expense is due to the accreted interest is mostly recognized at the end of the current fiscal year. Payments on the accreted interest will be made at a future date.
- Capital revenues increased from local property taxes.
- Investment income increase was primarily due to the interest earnings from the General Obligation Series E endowment funds.

COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

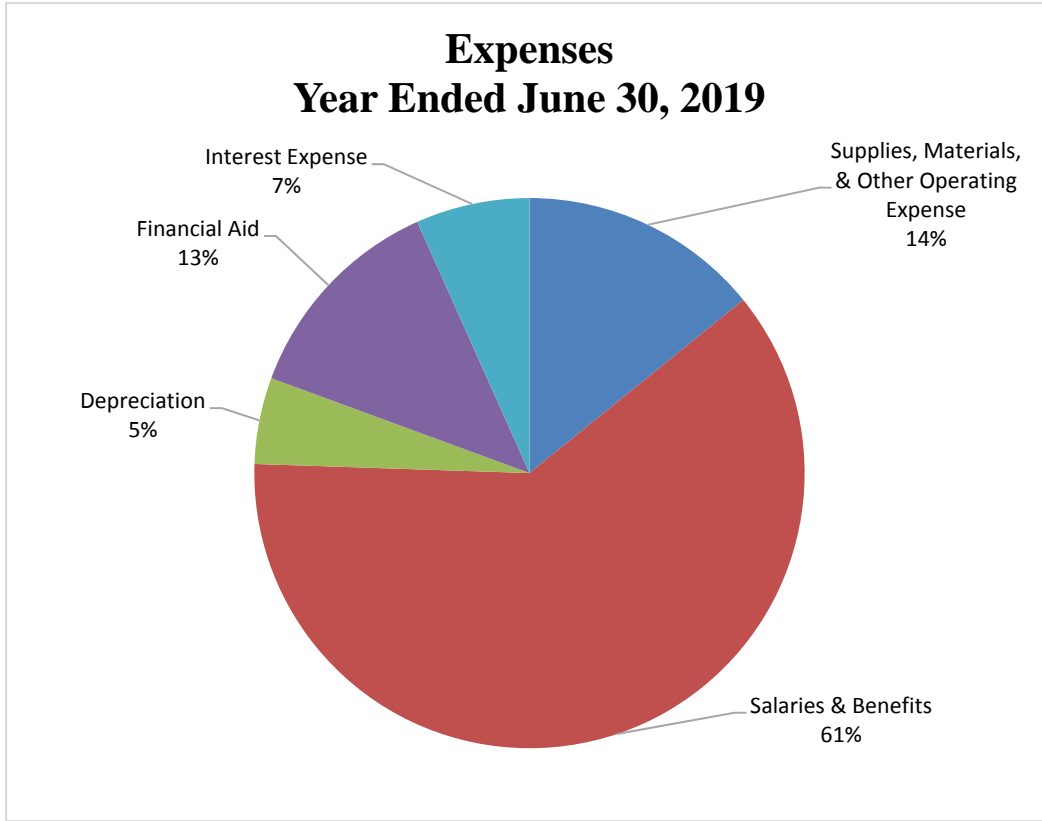
Fiscal Year Ending June 30, 2019



COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2019



COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2019

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This statement also helps users assess the District's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

	(in thousands)		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (197,866)	\$ (171,778)	-15%
Noncapital financing activities	190,884	179,037	7%
Capital and related financing activities	(96,863)	(101,643)	5%
Investing activities	<u>(3,243)</u>	<u>1,082</u>	-400%
Net change in cash and cash equivalents	(107,088)	(93,302)	15%
Cash balance, beginning of year	434,361	527,663	-18%
Cash balance, end of year	<u>\$ 327,273</u>	<u>\$ 434,361</u>	-25%

- The primary cash receipts from operating activities consist of grants, contracts, tuition and fees; while, the outlays include payment of wages, benefits, supplies, services, contracts, scholarships and financial aid.
- General apportionment is the main source of noncapital financing activities and consists of state apportionment, local property taxes, and student fees.
- Cash provided by and used for capital and related financing activities reflects local capital outlay resources.
- Cash from investing activities is interest and gains on investments.

The overall cash balance has decreased from prior year as a result of a modest COLA, the third year of implementation of the classified and compensation study and increased pension costs.

COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2019

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2019, the District had over \$662.1 million invested in net capital assets. Total capital assets of \$999.5 million consist of land, buildings and building improvements, vehicles, data processing equipment and other office equipment; these assets have accumulated depreciation of \$337.3 million. New additions for construction and equipment of \$103.3 million occurred during 2018-19, and depreciation expense of \$21.2 million was recorded for the fiscal year. During the current fiscal year, the District removed some buildings for new construction projects and that resulted in a net loss of \$2.5 million. Construction in progress of \$88.8 million was completed and placed into service as buildings and site improvements. Note 5 to the financial statements provides additional information on capital assets. A summary of capital assets net of depreciation is presented below.

	<u>Balance</u> <u>June 30, 2019</u>
Land	\$ 24,141,969
Buildings and site improvements	765,192,943
Equipment	50,789,895
Construction in progress	<u>159,381,967</u>
Totals at historical cost	<u>999,506,774</u>
Less accumulated depreciation for:	
Buildings and site improvements	(299,333,439)
Equipment	<u>(38,010,689)</u>
Total accumulated depreciation	<u>(337,344,128)</u>
Governmental capital assets, net	<u>\$ 662,162,646</u>

COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2019

Debt

At June 30, 2019, the District had \$872.6 million in debt for the General Obligation bonds. The payments for general obligation bond debt are funded through property tax assessments. Notes 6 and 9 to the financial statements provide additional information on long-term liabilities.

Economic Factors That May Affect the Future

State Economy

On January 10, 2019, Governor Gavin Newsom released his proposal for the 2019-20 FY State Budget. Key highlights of that proposal include Proposition 98 funding of \$80.7 billion, \$3 billion in one-time non-Proposition 98 payments to CalSTRS to reduce long-term liabilities for employers, \$40 million to fund a second year of the California Promise, a limit on the year-over-year increases in resources a community college could receive through the Student Success Allocation (capping those year-over-year increases to 10%), a clarification that the transfer outcome measure in the Student Success Allocation reflects an unduplicated count of students, a 3.46% proposed Cost of Living Adjustment (COLA), \$359 million in general obligation bond funding [Proposition 51] for 12 new and 15 continuing projects, \$10 million to provide legal services to undocumented and immigrant students, faculty, and staff on community college campuses, and \$121.6 million to increase or provide access awards for students with dependent children attending any higher education segment. The May Revision builds on the January Budget Proposal but leaves the Governor's January proposal for Community Colleges largely unchanged. The proposal includes routine adjustments using updated estimates of revenue, enrollment, program participation, and inflation, but makes no major policy changes.

On June 27, 2019, Governor Newsom signed the \$214.8 billion 2019-20 State Budget Bill ([Assembly Bill 74](#)). The State Budget includes a total investment in Proposition 98 of \$81 billion, an increase of nearly \$3 billion over last year's Budget.

Coast Budget Development & Assumptions

Following the release of the Governor's January Budget Proposal, a preliminary set of Budget Assumptions was developed and discussed with the District Consultation Council Budget Subcommittee, the Board of Trustees Audit/Budget Subcommittee and the Board of Trustees at the Budget Study Session on March 6, 2019. Since that time, Budget Assumptions have been refined based on new information emerging in the budget development process. Key assumptions reflected in the Coast Adopted Budget include:

COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2019

- 1) a 3.26% Cost of Living Adjustment,
- 2) Reserves of at least 10% consistent with Board Policy 6300,
- 3) No budgeted growth,
- 4) 1,604 "borrowed" FTES from Summer 2019 to ensure Coast closed the prior year at a base FTES level of 30,542.

Under the SCFF, apportionment revenue includes not only Enrollment and Basic Allocation revenue, but also a Supplemental and Success component. Under the Supplemental factor, we estimate Coast will receive \$42.9 million, and \$26.6 million under the Success factor. Significantly, the calculation of the Success component was changed as follows:

1. Counts only the highest of all awards (i.e., associate degree for transfer, associate degree, baccalaureate degree, and credit certificate) a student earned in the same year. Further, it counts an award only if the student was enrolled in the district in the year the award was granted.
2. Amends the definition of a transfer student. A student who transferred to a four-year university would be included in the district's count only if the student completed 12 or more units in the district in the year prior to transfer.
3. Calculates the student success allocation based on three-year averages of each of the measures in the allocation

Revenue Estimates

Revenues include a Cost of Living Adjustment (COLA) at \$6.4 million, \$153.00 per FTES Unrestricted Lottery funding. Local revenue reflects enrollment fees of \$46 per unit and interest earnings of \$1 million. Other local revenue totals \$943 thousand. Total revenue, less the current year effects of enrollment decline of \$1.8 million, and a funding constraint of \$5.1 million reflecting the most recent construct of SCFF (July 2019), is projected to be a negative \$520 thousand.

Expense Estimates

Major new expenses reflected a health benefit increase of \$379 thousand, Classification/compensation Study Cost of \$931 thousand, on-schedule salary increases of \$5.8 million, net Step/column cost of \$400 thousand, and pension increases of \$2.0 million. Total new expenses are estimated at \$10 million

COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2019

Coast carried forward a structural budget imbalance from the 2018-19 FY of \$1.2 million. When new on-going revenues, including the effects of declining enrollments and an estimated deficit factor/funding constraint, are netted against new estimated expenses, Coast is projecting an estimated budgetary deficit of \$11.7 million.

Significant Future Events

The 2019-20 fiscal year budget plan outlines several areas of budgetary concern largely focused on enrollment, spending, and implementation of the new Student Centered Funding Formula (SCFF). These concerns are complicated by staffing volatility and turnover within the California Community Colleges Chancellor's Office (CCCCO), and continued evolution of the factors within the SCFF.

While our budget management work involves monitoring both revenue and expense, there is no evidence to suggest that we will grow out of this current enrollment decline. Thus, much of our attention will be focused on the plan of expenditures as we examine means to constrain spending and maintain a balanced budget.

We may see a continuation of the funding constraints and deficit factors that emerged last spring. However, we will not have definitive information in this regard until the release of the First Principal Apportionment report in February 2020.

With respect to our Measure M local GO Bond program, we are anticipating the sixth and final issuance (Series 2019F) of \$168 million late in calendar year 2019. We also anticipate executing a Refunding Action pertaining to the 2013A Series that is estimated to reduce taxpayer obligations by an estimated \$10 million.

Not unlike the District's retiree health benefit plan, both the California State Teachers Retirement System (STRS) and the California Public Employee Retirement System (PERS) have significant unfunded liabilities. This phenomenon reflects a mismatch between the pension plan's estimated obligations and its assets. In theory, these plans should be prefunded, meaning regular contributions for each employee are made into the retirement fund during the course of that employee's career. However, because of underfunding in prior years, employer costs for retirement benefits for both STRS and PERS are projected to nearly double over the next several years. Projections for Coast to include \$2 million in on-going cost for 2020-21 FY and a cumulative cost of \$18 million since FY 2015-16.

The most recent actuarial study was completed for OPEB liability as of June 30, 2019. The net OPEB liability has decreased from 107.8 million in the 2016-17 FY to 103.5 million in the 2018-19 FY. The District has budgeted sufficient funds to meet the actuarially determined contribution for fiscal year 2018-19.

COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2019

The Governmental Accounting Standards Board (GASB). Statement No. 67, Financial Reporting for Pension Plans and Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of Statement No. 27, establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members. Districts' financial reports must begin to show the full effect of pension liabilities. The PERS program involves an employer and an employee contribution. In contrast, the STRS program includes both an employer and an employee contribution, along with a state contribution. In practice, most Local Education Agencies (LEA's) did not recognize the states "on-behalf" contributions to CalSTRS, primarily based on 1996 guidance from the California Department of Education. More recently, GASB 68 now requires districts to recognize the "on-behalf" contribution by the state by debiting pension contribution expenditures and crediting revenues. For Coast, this amount is estimated at \$6.24 million.

California continues to rely heavily on the Personal Income Tax (PIT) for education funding, specifically from very high income earners many of whom derive their wealth from capital gains rather than wages, creating a significant degree of funding volatility. Further, the current economic recovery is among the longest in the post-war period and history suggests the state is ripe for a downturn. Looking outside California, the federal government is imposing tariffs and speaking openly about trade wars. Looking beyond the 2019-20 FY, continued tax reform efforts at the federal level are a definite wild card. California's high dependency on affluent taxpayers coupled with the limitation on the deductibility of State and Local Taxes (SALT) is expected to impact large high-taxation states the most. Lastly, a Presidential election looms in November 2020.

As has been our practice in the past, staff will continue to monitor and report on the status of the budget to the Board of Trustees throughout the year.

In conclusion, the 2019-20 FY Budget represents Governor Newsom's first budget as California's Chief Executive Officer.

Contacting the District's Financial Management Team

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

BASIC FINANCIAL STATEMENTS

COAST COMMUNITY COLLEGE DISTRICT

**STATEMENT OF NET POSITION
June 30, 2019**

	<u>Primary</u>	<u>Component Units</u>
	<u>Government</u>	
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 112,360,233	\$ 4,575,886
Investments	65,443,879	34,667,248
Accounts receivable, net	20,147,644	83,424
Deferred tax asset	-	89,300
Pledges receivable, net	-	349,925
Beneficial interest in charitable gift annuity	-	7,209
Inventories	67,987	-
Notes receivable- current portion	750,000	-
Due from fiduciary funds	324,454	-
Prepaid expenses and other current assets	1,999,650	80,772
Total Current Assets	<u>201,093,847</u>	<u>39,853,764</u>
Non-Current Assets:		
Restricted cash and cash equivalents	214,913,303	-
Restricted student loans receivable, net	2,550,080	-
Contribution receivable from split-interest agreements	-	508,386
Notes receivable	10,687,500	-
Capital assets, net of accumulated depreciation	662,162,646	7,007,225
Total Non-Current Assets	<u>890,313,529</u>	<u>7,515,611</u>
Total Assets	<u>1,091,407,376</u>	<u>47,369,375</u>
<u>Deferred Outflows of Resources</u>		
Deferred charge on refunding	22,597,752	-
Deferred outflows- OPEB	5,151,329	-
Deferred outflows- pension	82,712,648	-
Total Deferred Outflows of Resources	<u>110,461,729</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,201,869,105</u>	<u>\$ 47,369,375</u>

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

**STATEMENT OF NET POSITION
June 30, 2019**

	<u>Primary</u>	<u>Component Units</u>
	<u>Government</u>	
<u>Liabilities</u>		
Current Liabilities:		
Accounts payable	\$ 27,844,533	\$ 1,112,403
Accrued liabilities	13,373,068	-
Accrued interest payable	12,054,794	-
Unearned revenue	32,970,355	394,550
Amounts held in trust	187,262	-
Long-term liabilities-current portion	32,277,914	-
Current Liabilities	<u>118,707,926</u>	<u>1,506,953</u>
Non-Current Liabilities		
Compensated absences	6,762,432	-
Notes payable	2,600,000	-
Postemployment healthcare liabilities	23,364,015	-
Net pension liabilities	268,520,236	-
General obligation bonds payable	842,191,296	-
Other non-current liabilities	2,405,774	-
Non-Current Liabilities	<u>1,145,843,753</u>	<u>-</u>
Total Liabilities	<u>1,264,551,679</u>	<u>1,506,953</u>
<u>Deferred Inflows of Resources</u>		
Deferred inflows- OPEB	7,651,949	-
Deferred inflows- pension	11,692,737	-
Total Deferred Inflows of Resources	<u>19,344,686</u>	<u>-</u>
<u>Net Position</u>		
Net investment in capital assets	54,184,013	-
With donor restrictions	-	42,536,623
Restricted for:		
Capital projects	24,312,986	-
Debt service	33,857,466	-
Scholarship and loans	512,051	-
Unrestricted	(194,893,776)	2,675,625
Common stock	-	158
Retained earnings	-	650,016
Total Net Position	<u>(82,027,260)</u>	<u>45,862,422</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,201,869,105</u>	<u>\$ 47,369,375</u>

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSE AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2019**

	<u>Primary Government</u>	<u>Component Units</u>
Operating Revenues		
Tuition and fees (gross)	\$ 57,937,515	\$ -
Less: Scholarship discounts and allowances	(20,742,684)	-
Net tuition and fees	37,194,831	-
Grants and contracts, non-capital:		
Federal	47,965,525	-
State	46,441,152	-
Local	26,871,549	13,983,725
Sales, net of purchases	3,167,045	-
Total Operating Revenues	<u>161,640,102</u>	<u>13,983,725</u>
Operating Expenses		
Salaries	171,395,428	2,401,725
Employee benefits	86,268,257	525,279
Supplies, materials, and other operating expenses and services	53,204,223	9,429,026
Financial aid	53,364,955	-
Utilities	3,763,129	-
Depreciation	21,290,478	2,637,964
Total Operating Expenses	<u>389,286,470</u>	<u>14,993,994</u>
Operating Income (Loss)	<u>(227,646,368)</u>	<u>(1,010,269)</u>
Non-Operating Revenues (Expenses)		
State apportionments, non-capital	45,168,815	-
Local property taxes	136,564,381	-
States taxes and other revenue	9,183,396	-
Interest and investment income, non-capital	2,043,007	1,256,628
Loss on disposal of capital assets	(2,515,134)	(821,506)
Interest expense	(28,071,466)	-
Total Non-Operating Revenues (Expenses)	<u>162,372,999</u>	<u>435,122</u>
(Loss) Income/Gain Before Other Revenues, Expenses, Gains and Losses	<u>(65,273,369)</u>	<u>(575,147)</u>
Other Revenues, Expenses, Gains and Losses		
Local property taxes and revenues, capital	45,663,762	-
State apportionments, capital	575,196	-
Interest and investment income, capital	12,778,710	-
Total Other Revenues, Expenses, Gains and Losses	<u>59,017,668</u>	<u>-</u>
Changes in Net Position	(6,255,701)	(575,147)
Net Position, Beginning of Year	<u>(75,771,559)</u>	<u>46,437,569</u>
Net Position, End of Year	<u>\$ (82,027,260)</u>	<u>\$ 45,862,422</u>

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019**

	Primary	
	Government	Component Units
Cash Flows From Operating Activities		
Tuition and fees	\$ 37,934,655	\$ -
Federal grants and contracts	45,959,359	-
State grants and contracts	50,454,745	-
Local grants and contracts	26,606,674	923,863
Sales	3,004,036	-
Auxiliary and component unit transfers	-	6,318,712
Administrative fees and interest	-	162,915
Donations	-	2,875,702
Payments to suppliers	(59,298,227)	(8,508,618)
Payments to/on-behalf of employees	(249,141,153)	(699,747)
Payments to/on-behalf of students	(53,427,849)	(1,411,337)
Other (payments) receipts	41,712	-
Net cash provided (used) by operating activities	<u>(197,866,048)</u>	<u>(338,510)</u>
Cash Flows From Non-Capital Financing Activities		
State apportionments and receipts	43,811,815	-
Property taxes	136,564,381	-
Grants and gifts for other than capital purposes	9,758,592	-
Proceeds from sale of capital assets	-	265,539
Principal collections on notes receivable	750,000	-
Net cash provided (used) by non-capital financing activities	<u>190,884,788</u>	<u>265,539</u>
Cash Flows From Capital and Related Financing Activities		
State apportionment for capital purposes	45,663,762	-
Net purchase of capital assets	(97,696,383)	(16,866)
Interest on investments, capital funds	11,975,597	713,029
Net sale(purchases) of investments	-	(2,805,830)
Principal paid on long-term debt	(27,605,000)	-
Interest paid on long-term debt	(29,201,147)	-
Net cash provided (used) by capital and financing activities	<u>(96,863,171)</u>	<u>(2,109,667)</u>
Cash Flows from Investing Activities		
Purchase of investments	(5,258,960)	-
Interest on investments	2,015,967	-
Net cash provided (used) by investing activities	<u>(3,242,993)</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	(107,087,424)	(2,182,638)
Cash Balance - Beginning of Year	<u>434,360,960</u>	<u>6,758,524</u>
Cash Balance - End of Year	<u>\$ 327,273,536</u>	<u>\$ 4,575,886</u>

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

	Primary Government	Component units
Operating income (loss)	\$ (227,646,368)	\$ (1,010,269)
Net non-cash contributions	-	(1,684,445)
Change in value of FCCC investment	-	(12,556)
Realized and unrealized gains on investments, net	-	10,440
Gain on sale of fixed asset	-	-
Change in value of split-interest agreement	-	(68,972)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	21,290,478	2,637,964
Changes in assets and liabilities:		
Receivables, net	(51,663)	66,616
Amortization of pledge receivable present value	-	4,390
Pledge receivable	-	(162,719)
Contribution receivable from split-interest agreement	-	(70,200)
Note receivable	-	13,930
Student loans receivable	279,415	-
Inventory	4,581	-
Due from fiduciary funds	718,043	-
Prepaid expenses and other current assets	(1,977,383)	22,385
Deferred outflows of resources - OPEB and Pensions	(13,070,180)	-
Accounts payable	(358,073)	198,093
Accrued liabilities	(1,987,849)	-
Net pension liabilities	26,349,544	-
Unearned revenue	2,133,327	(235,400)
Due to District	-	(47,767)
Compensated absences	(715,099)	-
Amounts held in trusts for others	(62,894)	-
OPEB liability	(7,913,868)	-
Deferred inflows of resources - OPEB and Pensions	5,141,941	-
Net cash provided (used) by operating activities	\$ (197,866,048)	\$ (338,510)
Breakdown of ending cash balance:		
Cash and cash equivalents	\$ 112,360,233	
Restricted cash and cash equivalents	214,913,303	
Total	\$ 327,273,536	

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019

	Ancillary Funds	Associated Student Body Funds
<u>Assets</u>		
Cash and cash equivalents	\$ 6,862,834	\$ 12,067,639
Accounts receivable:		
Miscellaneous	121,936	615,792
Inventories	155,692	
Other current assets	17,600	105,000
Total Assets	7,158,062	12,788,431
 <u>Deferred Outflows of Resources</u>		
Deferred outflows - pension	-	846,714
Total Deferred Outflows of Resources	-	846,714
 Total Assets and Deferred Outflows of Resources	 \$ 7,158,062	 \$ 13,635,145
 <u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 457,472	\$ 318,132
Due to governmental funds	-	324,454
Funds held in trust	6,700,590	5,016,147
Total Current Liabilities	7,158,062	5,658,733
<u>Non-Current Liabilities</u>		
Net pension liability	-	2,705,842
Total Non-Current Liabilities	-	2,705,842
Total Liabilities	7,158,062	8,364,575
 <u>Deferred Inflows of Resources</u>		
Deferred inflows - pension costs	-	43,334
Total Deferred Inflows of Resources	-	43,334
 <u>Net Position</u>		
Unrestricted	-	5,227,236
Total Net Position	-	5,227,236
 Total Liabilities, Deferred Inflows of Resources and Net Position	 \$ 7,158,062	 \$ 13,635,145

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2019

	Associated Student Body Funds
Additions	
Sales, net of purchases	\$ 1,050,353
Interest and investment income	1,332
Student representation fee	1,499,252
Other local revenues	<u>379,046</u>
Total Additions	<u>2,929,983</u>
Deductions	
Classified salaries	737,671
Employee benefits	571,232
Services and other operating expenses	2,099,103
Capital outlay	<u>45,380</u>
Total Deductions	<u>3,453,386</u>
Change in net position	(523,403)
Net Position, Beginning of Year	<u>5,750,639</u>
Net Position- End of Year	<u>\$ 5,227,236</u>

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF OTHER POSTEMPLOYMENT BENEFITS PLAN NET POSITION
June 30, 2019

	Retiree (OPEB) Trust
<u>Assets</u>	
Investments	\$ 80,187,983
Total Assets	\$ 80,187,983
<u>Net Position Held in Trust for Other Postemployment Benefits</u>	\$ 80,187,983

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN OTHER POSTEMPLOYMENT BENEFITS PLAN
NET POSITION

For the Fiscal Year Ended June 30, 2019

	Retiree (OPEB) Trust
Additions	
Employer contributions	\$ 6,713,720
Dividends and interest	<u>4,247,631</u>
Total Additions	<u>10,961,351</u>
Deductions	
Benefit payments	6,713,720
Administrative expenses	<u>191,502</u>
Total Deductions	<u>6,905,222</u>
Net changes in net position	4,056,129
Net Position Held in Trust for Other Postemployment Benefits, Beginning of Year	<u>76,131,854</u>
Net Position Held in Trust for Other Postemployment Benefits, End of Year	<u><u>\$ 80,187,983</u></u>

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following potential component units have been included in the District's reporting entity:

Coast Community College District Foundation, Coastline College Foundation, Golden West College Foundation, Orange Coast College Foundation and Coast Community College District Enterprise Corporation: Each Foundation is a separate not-for-profit corporation formed to promote and assist the educational programs of the District. The Enterprise Corporation is a separate for-profit corporation and operates the swap meet at Golden West and Orange Coast Colleges. The Board of Directors are elected independent of any District's Board Trustee's appointments. The Board of Directors are responsible for approving

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

their own budgets and accounting and finance related activities; however, the District's governing board has fiscal responsibility over each Foundation and the Enterprise Corporation. The financial activities of the Foundations and the Enterprise Corporation have been discretely presented. Their separate financial statements may be obtained through the District.

Retiree Health Benefit OPEB Trust (the Trust): The Trust is an irrevocable governmental trust pursuant to Section 115 of the Internal Revenue Code for the purpose of funding certain post-employment benefits other than pensions. The Trust is administered by the Retiree Health Benefit Funding Program Joint Powers Agency (the JPA) as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53600.5 which specifies that the trustee's primary role is to preserve capital, then maintain investment liquidity and thirdly, to protect investment yield. As such, the District acts as the fiduciary of the Trust. The Trust has been discretely presented; separate financial statements are not prepared.

Pension Stabilization Trust (the PST): The PST was established to help California public entities stabilize the funding of their pension benefit liabilities by creating a secure vehicle to hold assets pending their contribution to a pension plan in satisfaction of their funding obligation. The PST is an irrevocable governmental trust intended to qualify as a trust arrangement that is tax exempt under applicable guidance and procedures under Section 115 of the Internal Revenue Code. The PST is administered by Benefit Trust Company as directed by the Board of Authority; the District appoints one member. The District is the sole beneficiary of the PST; the fund does not meet the definition of a fiduciary activity, thus, it is reported as a blended component unit. Separate financial statements are not prepared.

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by GASB. The financial statement presentation provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund and the Retiree Benefits Fund, are excluded from the basic financial statements.

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 relates to the timing of measurement made, regardless of the measurement focus applied.

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The statements of plan net position and changes in plan net position of the Retiree Health Benefit OPEB Trust are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*.

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's Board of Trustees must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Trustees satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP).

These budgets are revised by the District's Board of Trustees during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

Cash and Cash Equivalents

The District's cash and cash equivalents, are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB.

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments are reported at fair value, which is determined by the most recent bid and asking price as obtained from dealers that make markets in such securities.

Accounts Receivables

Accounts receivable consists primarily of amounts due from the Federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. Material receivables are considered fully collectible. The District recognized for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

Bad debts are accounted for by the direct write-off method for student receivables, which is not materially different from the allowance method.

Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of items held for resale in the food service and sailing center operations and expendable instructional, custodial, health and other supplies held for consumption.

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts designated for acquisition or construction of non-current assets or that are segregated for the liquidation of long-term debt.

Restricted Student Loans Receivable, Net

Student loans receivable consist of loan advances to students awarded under the student financial aid programs the District administers for Federal agencies. Student loans receivable are recorded net of cancelled principal. The receivables are held in trust for the awarding Federal agency.

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their acquisition value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings valued at \$5,000 or more as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded as an operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method with a half-year convention over the estimated useful lives of the assets, generally 50 years for buildings, 20 years for building, 10 years for land improvements, 8 years for equipment and vehicles and 3 years for technology.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

Deferred Charge on Refunding: A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Outflows – OPEB and Pension: The deferred outflows of resources related to the OPEB and pension plans result from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans and the effects of actuarially-determined changes to the plans. These amounts are deferred and amortized as detailed in Notes 11 and 12 to the financial statements.

Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30. Accrued liabilities consist of salaries and benefits payable.

Unearned Revenue

Cash received for Federal and state special projects, and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

extent cash received on specific projects and programs exceeds qualified expenditures. Unearned revenue also includes summer enrollment fees received but not earned.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability in the statement of net position when incurred.

The District has accrued a liability for the amounts attributable to load banking hours within accrued liabilities. Load banking hours consist of hours worked by instructors in excess of a full-time load for which they may carryover for future paid time off.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave; therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Perkins Loan Program Liability and Termination

The District administers Title IV Perkins Loans for the benefit of its students. Funds for the Perkins program were initially received through Federal Capital Contributions (FCC) from the US Department of Education (ED) and were supplemented with Institutional Capital Contributions (ICC). Over the years, the proportion of federal to institutional matching funds has varied, from a 90/10 split to a 75/25 split. Fiscal year 2017-2018 was the last year in which new Perkins loans were allowed to be disbursed as Congress did not renew the program. Districts have been given the option of assigning existing Perkins loans back to the federal government or continuing to collect on these loans while returning the FCC portion as loans are repaid. The District has elected to continue to collect on Perkins loans and return the FCC portion as it is collected. Historically, the balance of the Perkins loan was reported in student loans receivable and in restricted net position. Due to the termination of the program and the District being required to return the FCC in future years, a liability has been established for the amount of the remaining FCC due to the ED. On May 24, 2019, the ED issued a memo stating that a decision had been made not to require distribution of assets from institutions as the ED is continuing to explore options to reimburse institutions for loan service cancellations; therefore, the entire amount is shown as a noncurrent long-term liability.

Medicare Premium Payment Liability

For purposes of measuring the District's liability related to the Medicare Premium Payment (MPP) Program, the fiduciary net position of the MPP Program and additions to/deductions from

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

the MPP Program fiduciary net position have been determined on the same basis as they are reported by the MPP Program. There are no deferred outflows of resources or deferred inflows of resources related to the MPP Program or for MPP Program expenses. For this purpose, the MPP Program recognizes benefit payments when due and payable in accordance with the benefit terms. The MPP Program reports its investments at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The related liability for the District's proportionate share of the MPP Program is reported in the financial statements; as the plan is not material additional disclosures are not included.

Net Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position by the District that is applicable to a future reporting period.

Deferred Inflows – OPEB and Pension: The deferred inflows of resources related to OPEB and pension plans result from the effects of actuarially-determined changes to the pension plans and the effect of changes in proportion of cost sharing plans, changes in assumptions, and the difference between expected and actual experience. These amounts are deferred and amortized as detailed in Notes 11 and 12 to the financial statements.

Net Position

Net Investment in Capital Assets: This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position – Expendable: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Restricted Net Position – Nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District had no restricted net position – nonexpendable.

Unrestricted Net Position: Unrestricted net position represents resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes.

State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year.

Any prior year corrections due to the recalculation in February of 2020 will be recorded in the year computed by the State.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has not been accrued in these financial statements because it is not material. Property taxes for debt service purposes cannot be estimated and have therefore not been accrued in the basic financial statements.

Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, and Federal and most state and local grants and contracts.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

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

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2019, \$35,353,962 of the District's bank balance of \$35,853,962 was exposed to credit risk as uninsured and collateral held by pledging bank's trust department not in the District's name.

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 2: DEPOSITS AND INVESTMENTS

Cash in County

In accordance with *The Budget and Accounting Manual*, 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.

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.

Investments

Policies

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

- State of California Local Agency Investment Fund (LAIF)
- 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

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 2: DEPOSITS AND INVESTMENTS

The District did not violate any provisions of the California Government Code or District Board policy during the year ended June 30, 2019.

Investments and investments with fiscal agent at June 30, 2019 are presented herein:

Investments	Fair Value	Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
U.S. Treasury Bonds	\$ 34,154,121	\$ 1,266,256	\$ 7,946,693	\$ 7,374,546	\$ 17,566,626
Federal Agency Bonds	10,237,608	-	1,198,570	4,676,073	4,362,965
Corporate Bonds	3,523,511	-	3,523,511	-	-
U.S. Government Sponsored Enterprise	17,528,639	19,330	-	7,222,345	10,286,964
Total	\$ 65,443,879	\$ 1,285,586	\$ 12,668,774	\$ 19,272,964	\$ 32,216,555

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:

Investments	Fair Value	Standard &		
		Poor's Rating	Level 1 Inputs	Level 2 Inputs
U.S. Treasury Bonds	\$ 34,154,121	AA+	\$ 34,154,121	\$ -
Federal Agency Bonds	10,237,608	AA+	10,237,608	-
Corporate Bonds	3,523,511	AA+	3,523,511	-
U.S. Government Sponsored Enterprise	17,528,639	AAAm	-	17,528,639
Total	\$ 65,443,879		\$ 47,915,240	\$ 17,528,639

Interest Rate Risk

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

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 2: DEPOSITS AND INVESTMENTS

however, the District has operated within parameters of the “Permitted Investments” as specified in the Measure M 2013 and 2016 Official Statements and the Board Resolution No. 13.06 authorizing the election. These parameters set up the outer boundaries of what the bond proceeds can be invested in. The District has since developed an investment strategy for those proceeds. Information about the exposure of the District’s investments to this risk is provided above. Effective January 1, 2017, AB2738 prohibits the proceeds from the sale of bonds from being withdrawn for investment outside the county treasury. Therefore, the proceeds of the 2017E Series are managed by the Office of the Orange County Treasurer (Treasurer). These deposits may only be invested in U.S. Treasury Securities or U.S. Government-Sponsored Agencies (GSE) in a laddered portfolio to a period not to extend past 2036.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. 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 herein.

Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government’s investment in a single issuer. The District places no limit on the amount that may be invested in any one issuer. In accordance with governmental accounting standards, the District is exposed to concentration of credit risk whenever an investment in any one issuer exceeds 5%. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019 consists of the amounts shown herein.

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 3: ACCOUNTS RECEIVABLE

Accounts Receivable and Student Loans Receivable	June 30, 2019
Federal and state	\$ 4,383,011
Tuition and fees	8,064,545
Student loans receivable, net	2,550,080
Miscellaneous	7,700,088
Total accounts receivable	\$ 22,697,724

NOTE 4: NOTE RECEIVABLE

The District entered into a note receivable in the amount of \$20,000,000 for the sale of KOCE and the KOCE-TV operating license on March 17, 2004. The payments are to be made to the District over 26 years. The District received \$750,000 during this fiscal year and is expecting to receive \$750,000 in the next fiscal year. The balance of the notes receivable as of June 30, 2019, is \$11,437,500.

NOTE 5: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

A summary of changes in capital assets for the year ended June 30, 2019 is shown herein.

	Balance July 1, 2018	Additions and Transfers	Retirements and Transfers	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 24,141,969	\$ -	\$ -	\$ 24,141,969
Construction in progress	144,853,810	103,336,350	(88,808,193)	159,381,967
Total capital assets not being depreciated	168,995,779	103,336,350	(88,808,193)	183,523,936
Capital assets being depreciated:				
Buildings and improvements	691,534,865	88,688,235	(15,030,157)	765,192,943
Equipment and vehicles	46,649,168	4,829,136	(688,409)	50,789,895
Total capital assets being depreciated	738,184,033	93,517,371	(15,718,566)	815,982,838
Less accumulated depreciation for:				
Buildings and improvements	(294,305,494)	(17,567,526)	12,539,581	(299,333,439)
Equipment and vehicles	(34,951,588)	(3,722,952)	663,851	(38,010,689)
Total accumulated depreciation	(329,257,082)	(21,290,478)	13,203,432	(337,344,128)
Depreciable assets, net	408,926,951	72,226,893	(2,515,134)	478,638,710
Governmental activities capital assets, net	\$ 577,922,730	\$ 175,563,243	\$ (91,323,327)	\$ 662,162,646

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 5: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

The district has implemented GASB No. 89, therefore there is no capitalized interest for the year ended June 30, 2019.

NOTE 6: LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2019 is shown herein.

	Balance			Balance	Amount Due
Governmental	July 1, 2018	Additions	Reductions	June 30, 2019	in One Year
Direct Borrowing:					
Note payable	\$ 3,285,000	\$ -	\$ 335,000	\$ 2,950,000	\$ 350,000
Direct Placement:					
General obligation bonds:					
Bonds payable	781,334,504		27,270,000	754,064,504	30,445,000
Accreted interest	53,440,340	1,510,542		54,950,882	
Bonds premium	68,049,275	-	4,428,365	63,620,910	-
Total general obligation bonds	902,824,119	1,510,542	31,698,365	872,636,296	30,445,000
Other Long-Term Liabilities:					
Compensated absences	8,960,445		715,099	8,245,346	1,482,914
Perkins loan program liability	2,405,774			2,405,774	
Postemployment healthcare liability	31,277,883		7,913,868	23,364,015	
Medicare premium payment liability	870,865		13,462	857,403	
Net pension liability	241,299,827	26,363,006	-	267,662,833	-
Total	<u>\$1,190,923,913</u>	<u>\$ 27,873,548</u>	<u>\$ 40,675,794</u>	<u>\$1,178,121,667</u>	<u>\$32,277,914</u>
Fiduciary	Balance			Balance	Amount Due
	July 1, 2018	Additions	Reductions	June 30, 2019	in One Year
Net pension liability	\$ 2,235,644	\$ 470,198	\$ -	\$ 2,705,842	\$ -
Total	<u>\$ 2,235,644</u>	<u>\$ 470,198</u>	<u>\$ -</u>	<u>\$ 2,705,842</u>	<u>\$ -</u>

Liabilities for compensated absences, postemployment healthcare liability, medicare premium payment liability, and the net pension liability are liquidated by the governmental funds in which related salaries and benefits are recorded. Note payable is liquidated by an auxiliary fund and the Perkins loan program liability will be paid by the Student Financial Aid fund. The general obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund.

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 7: LEASES

Operating Leases

The District has entered into various operating leases for land, buildings, vehicles, and equipment with lease terms in excess of one year. None of these agreements contain purchase options. Future minimum lease payments under these agreements are shown herein.

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2020	\$ 752,043
2021	638,199
2022	505,019
2023	294,079
2024	133,600
Total	<u>\$ 2,322,940</u>

Current year expenditures for operating leases is approximately \$801,656. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

Ground Lease

On September 1, 2018, the District entered into a ground lease agreement with the National Campus and Community Development Corporation (the "Corporation"). The purpose of the Corporation is to acquire, construct, furnish and equip the Series 2018 Housing Facility, the parking lot and tennis courts and to operate the Housing Facility. The Housing Facility will be owned and operated by the Corporation. Construction began on the project during the fiscal year 2018-19 and is expected to be completed and ready for occupancy in the Fall of 2020.

NOTE 8: NOTE PAYABLE

On March 24, 2016, the District entered into a note payable in the amount of \$3,765,000 at an interest rate of 3.75% to purchase the property on Newhope Street in the city of Fountain Valley, California. The indenture authorizes, upon default, the Trustee to declare immediately due and payable the total unpaid principal of the notes and accrued interest thereon. The payments are to be made over 10 years as presented herein.

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 8: NOTE PAYABLE

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 350,000	\$ 107,437	\$ 457,437
2021	360,000	94,219	454,219
2022	375,000	80,531	455,531
2023	385,000	66,375	451,375
2024	405,000	51,750	456,750
2025-2026	1,075,000	61,312	1,136,312
Total	<u>\$ 2,950,000</u>	<u>\$ 461,624</u>	<u>\$ 3,411,624</u>

NOTE 9: PERKINS LOAN PROGRAM LIABILITY

During fiscal year 2017-18, the District established a liability of \$2,405,774 for the Federal Capital Contributions (FCC) received from the US Department of Education (ED) which funded the Perkins loan program. With the close-out of the Perkins loan program, the FCC is due back to the ED. The District has elected to continue to collect on these loans and will return the FCC to the ED as it is collected. On May 24, 2019, the ED issued a memo stating that a decision had been made not to require distribution of assets from institutions as the ED is continuing to explore options to reimburse institutions for loan service cancellations. See Note 1, Perkins Loan Program Termination for additional information.

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 10: GENERAL OBLIGATION BONDS

Measure C

On November 5, 2002, \$370,000,000 in general obligation bonds were authorized by an election (Measure C) held within the District. The bonds were authorized (i) to finance the construction, acquisition, and modernization of certain property and District facilities and (ii) to provide a portion of the monies needed to prepay certain lease and debt obligations of the District, and (iii) to pay the related costs of bonds issuance.

Between 2003 and 2006, the District issued bonds, Series A, B, and C, totaling \$370,000,000. In 2005, the District issued 2005 refunding bonds totaling \$74,893,867 to advance refund portions of the District's Series 2003A bonds.

Measure M

On November 6, 2012, \$698,000,000 in general obligation bonds were authorized by an election (Measure M) held within the District. The bonds were authorized to (i) finance the construction, acquisition, and modernization of certain property and District facilities, (ii) to finance an endowment for voter-approved technology upgrades, (iii) to provide a portion of the monies needed to prepay certain lease and debt obligations of the District, and (iv) to pay the related costs of bonds issuance.

On May 29, 2013, the District issued bonds, Series A, Series B, Tax-Exempt Refunding Series A, and Tax Refunding Series B totaling \$315,740,000. In 2015, the District issued Refunding Bonds totaling \$162,855,806 to advance refund Series C from Measure C.

The balance of the bonds refunded was \$28,645,281 less than the amount paid into the escrow account. This amount is recorded as a deferred charge on the statement of net position and amortized to interest expense over the life of the new debt. Amortization of \$2,012,843 was recognized during the year ended June 30, 2019.

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.

The outstanding general obligation bonded debt of the District at June 30, 2019 is shown herein.

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 10: GENERAL OBLIGATION BONDS

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2019</u>
Measure C:					
2005 Refunding	3/10/2005	8/1/2022	3.00-5.25	\$ 74,893,867	\$ 2,618,867
Accreted Interest					11,113,059
Series B	6/28/2006	8/1/2030	3.63-5.00	149,859,831	48,859,831
Accreted Interest					39,839,373
Total Measure C				<u>224,753,698</u>	<u>102,431,130</u>
Measure M:					
Series A	5/29/2013	8/1/2038	1.50-5.00	190,000,000	152,470,000
Series B	5/29/2013	8/1/2018	0.45-1.64	10,000,000	-
Refunding Series A	5/29/2013	8/1/2024	2.00-5.00	80,265,000	69,520,000
Refunding Series B	5/29/2013	8/1/2020	0.35-2.27	35,475,000	12,015,000
2015 Refunding	10/29/2015	8/1/2036	2.00-5.00	162,855,806	161,135,806
Accreted Interest					3,998,450
Series C	8/31/2016	8/1/2023	0.80-1.98	30,000,000	17,095,000
Series D	3/29/2017	8/1/2042	4.00-5.00	280,000,000	280,000,000
Series E	3/29/2017	8/1/2019	1.43-1.69	20,000,000	10,350,000
Total Measure M				<u>808,595,806</u>	<u>706,584,256</u>
Total				<u>\$ 1,033,349,504</u>	<u>\$ 809,015,386</u>

Payments-Measure C

The annual requirements to amortize Measure C bonds payable, outstanding as of June 30, 2019, are as shown herein.

2005 Refunding Bonds

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ -	\$ -
2021	425,933	2,114,067	2,540,000
2022	1,159,595	6,610,405	7,770,000
2023	1,033,339	6,746,660	7,779,999
Total	<u>\$ 2,618,867</u>	<u>\$ 15,471,132</u>	<u>\$ 18,089,999</u>

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 10: GENERAL OBLIGATION BONDS

Series B

Year Ending June 30,	Principal	Accreted Interest	Current Interest	Total
2020	\$ -	\$ -	\$ -	\$ -
2021				
2022				
2023				
2024				
2025-2029	29,116,017	49,878,983		78,995,000
2030-2031	19,743,814	42,971,186	-	62,715,000
Total	<u>\$ 48,859,831</u>	<u>\$ 92,850,169</u>	<u>\$ -</u>	<u>\$ 141,710,000</u>

Payments-Measure M

The annual requirements to amortize Measure M bonds payable, outstanding as of June 30, 2019, are as shown herein.

Series A

Year Ending June 30,	Principal	Interest	Total
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
Total	<u>\$ 152,470,000</u>	<u>\$ 88,094,200</u>	<u>\$ 240,564,200</u>

Tax-Exempt Refunding Series A

Year Ending June 30,	Principal	Interest	Total
2020	\$ 6,225,000	\$ 3,476,000	\$ 9,701,000
2021	7,470,000	3,164,750	10,634,750
2022	8,845,000	2,791,250	11,636,250
2023	10,305,000	2,349,000	12,654,000
2024	19,110,000	1,833,750	20,943,750
2025	17,565,000	878,250	18,443,250
Total	<u>\$ 69,520,000</u>	<u>\$ 14,493,000</u>	<u>\$ 84,013,000</u>

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 10: GENERAL OBLIGATION BONDS

Taxable Refunding Series B

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 7,140,000	\$ 250,840	\$ 7,390,840
2021	4,875,000	110,468	4,985,468
Total	<u>\$ 12,015,000</u>	<u>\$ 361,308</u>	<u>\$ 12,376,308</u>

2015 Refunding Bonds

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Current Interest</u>	<u>Total</u>
2020	\$ -	\$ -	\$ 5,177,950	\$ 5,177,950
2021			5,177,950	5,177,950
2022			5,177,950	5,177,950
2023			5,177,950	5,177,950
2024			5,177,950	5,177,950
2025-2029			25,889,750	25,889,750
2030-2034	110,390,000		12,712,075	123,102,075
2035-2037	50,745,806	65,224,194	-	115,970,000
Total	<u>\$ 161,135,806</u>	<u>\$ 65,224,194</u>	<u>\$ 64,491,575</u>	<u>\$ 290,851,575</u>

Series C

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Total	<u>\$ 17,095,000</u>	<u>\$ 779,216</u>	<u>\$ 17,874,216</u>

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 10: GENERAL OBLIGATION BONDS

Series D

Year Ending June 30,	Principal	Interest	Total
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	98,000,000	7,322,500	105,322,500
Total	<u>\$ 280,000,000</u>	<u>\$ 216,407,500</u>	<u>\$ 496,407,500</u>

Series E

Year Ending June 30,	Principal	Interest	Total
2020	\$ 10,350,000	\$ 87,613	\$ 10,437,613
Total	<u>\$ 10,350,000</u>	<u>\$ 87,613</u>	<u>\$ 10,437,613</u>

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

Plan Description and Eligibility

The District administers a single-employer defined benefit healthcare plan. The District provides medical, dental and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. The District reports the financial activity of the plan as a trust fund in these financial statements and no separate financial statement is prepared.

Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. For employees, participating in CalSTRS and hired after July 1, 2018 and for employees participating in CalPERS and hired on or after January 1, 2018, the eligibility requirement is a minimum age of 60 and a minimum fifteen years of service with the District. Grandfathered employees participating in CalSTRS and hired before July 1, 2018 and for employees participating in CalPERS and hired before January 1, 2018, the eligibility requirement is minimum age of 55 and 10 years of service with the District. Additional age and service criteria may be required.

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

Participant Type:	Number of Participants
Inactive participants currently receiving benefits	790
Inactive participants entitled to but not yet receiving benefit payments	-
Active employees	1,344
Total	2,134

Funding Policy

The contribution requirements are established and may be amended by the District. All contributions are discretionary and an actuarial determined contribution was not calculated. Depending on the medical plan, the District contributes 100 percent of the cost of current year premiums for eligible retired plan members and their spouses up to age 70 and \$3,000 or \$4,000 maximum per year beyond age 70 until death. For fiscal year ended June 30, 2019, the District contributed \$6,713,720 to the plan.

Net OPEB Liability (Asset)

The following table shows the components of the net OPEB liability (asset) of the District:

	Balance June 30, 2019
Total OPEB liability	\$ 103,551,998
Plan fiduciary net position	80,187,983
District's net OPEB liability (asset)	\$ 23,364,015
 Plan fiduciary net position as a percentage of the total OPEB liability (asset)	 77%

Investments

The Plan has assets with two trustees; the Retiree Health Benefit Funding Program Joint Powers Agency (the JPA) held in the Retiree Health Benefit OPEB Trust (the Trust), and Benefit Trust Company held in the Futuris Public Entity Investment Trust (Futuris). These accounts collectively comprise the Plan assets. The Plan's policy for allocation of invested assets is established and may be amended by each Retirement Board of Authority through a majority vote. It is the policy of both Boards to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of specific asset classes. Assets held in the Plan are limited to those within the terms of the trust agreement and the participation agreement, any applicable plan documents and in accordance with California Code Section 53620 through 53622. The investment policy has a long-term focus. It discourages both major shifts of asset class allocations over a short time span and, except for liquidity purposes, the use of cash equivalents. There is no established net rate of return or asset allocation policy.

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

The JPA or Futuris did not violate any provisions of the investment policy during the fiscal year ended June 30, 2019.

The District participates with other colleges in the Balanced Fund Master Trust held by Union Bank as trustee for the JPA. The Balanced Fund is comprised of various mutual funds and the District owns a pro-rata interest in the pool. In a Master Trust, the market value of the pool is converted to units valued at \$1.00 per unit and the District's individual statement reflects the units that they own in the pool. Master Trusts are unitized to the dollar and thus, the market and cost are the same. Income earnings, gains, losses and expense are allocated pro rata to all colleges participating in the Master Trust.

At June 30, 2019, all Plan investments were in either master trusts or mutual funds. The Plan held no investments in any one organization that represented 5% or more of fiduciary net position.

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was not available.

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. The mutual funds held in the Master Trust are priced using a net asset value (NAV). The mutual funds may include several different underlying investments, including equities, bonds, real estate, and global securities. The NAV price is derived from the value of these investments, accrued income, anticipated cash flows (maturities), management fees, and other fund expenses. Certain investments within the fund may be deemed unobservable and not considered to be in an active market. The Plan's investments' fair value measurements at June 30, 2019, are presented herein.

Investment	Costs	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Master Trust	\$ 41,453,552	\$ -	\$ -	\$ 41,453,552
Mutual Fund - Fixed income	21,252,023	21,252,023	-	-
Mutual Fund - Domestic equity	12,838,526	12,838,526	-	-
Mutual Fund - International equity	2,788,516	2,788,516	-	-
Mutual Fund - Real estate	1,855,366	1,855,366	-	-
Total	\$ 80,187,983	\$ 38,734,431	\$ -	\$ 41,453,552

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

Actuarial Methods and Assumptions

The District's total OPEB liability and the net OPEB liability were measured using an actuarial valuation as of June 30, 2019.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified herein.

Actuarial Methods and Assumptions	
Valuation date	June 30, 2019
Measurement date	June 30, 2019
Inflation	2.75%
Salary increases	2.75%
Investment rate of return	6%
Healthcare trend rate	4%

Mortality rates were based on the rates used by CalPERS Active Mortality for Miscellaneous Employees 2014 tables and the 2009 rates used by STRS for the pension valuations.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 (see the discussion of the Plan's investment policy) are shown herein.

Asset Class - Community College League of California	Asset Allocation	Long-term Expected Real Rate of Return
US Large Cap	29%	7.80%
US Small Cap	13%	7.80%
All Foreign Stock	9%	7.80%
Other Fixed Income	49%	3.25%

Asset Class - Futuris	Asset Allocation	Long-term Expected Real Rate of Return
All Fixed Income	55%	4.50%
Real Estate Investment Trusts	4%	7.50%
All Domestic Equities	22%	7.50%
All International Equities	19%	7.50%

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

The discount rate used to measure the total OPEB liability was 6.0 percent. The valuation used historic 19 year real rates of return for each asset class along with assumed long-term inflation assumptions to set the discount rate. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Since the most recent GASB 74/75 valuation, the following changes have been made:

- Benefit terms increased eligibility requirements for newly hired employees as described in the Plan Description and Eligibility section and the removal of Delta Health Systems as an option for new retirees.

Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018	\$ 107,409,737	\$ 76,131,854	\$ 31,277,883
Changes for the year:			
Service cost	5,038,775		5,038,775
Interest	6,394,336		6,394,336
Employer contributions		6,713,720	(6,713,720)
Net investment income		4,562,166	(4,562,166)
Changes in benefit terms	(5,671,949)		(5,671,949)
Changes in assumptions	5,642,082		5,642,082
Experience gains/losses	(8,547,263)		(8,547,263)
Investment gains/losses		(314,535)	314,535
Benefit payments	(6,713,720)	(6,713,720)	-
Administrative expenses		(191,502)	191,502
Net changes	(3,857,739)	4,056,129	(7,913,868)
Balances at June 30, 2019	\$ 103,551,998	\$ 80,187,983	\$ 23,364,015

The District's net OPEB liability calculated using the discount rate of 6.0 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.0 percent) or 1-percentage-point higher (7.0 percent) than the current rate is shown herein.

Discount rate	Net OPEB Liability
1% decrease (5.0%)	\$ 32,231,370
Current discount rate (6.0%)	23,364,015
1% increase (7.0%)	15,596,954

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

The District’s net OPEB liability calculated using the current healthcare cost trend rate of 6.5 percent decreasing to 4.0 percent, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing to 3.0 percent) or 1-percentage-point higher (7.5 percent decreasing to 5.0 percent) than the current rate is shown herein.

Healthcare trend rate	Net OPEB Liability
1% decrease (3.0%)	\$ 18,131,939
Current healthcare trend rate (4.0%)	23,364,015
1% increase (5.0%)	28,964,305

OPEB Expense and Deferred Inflows of Resources, Related to OPEB

For the year ended June 30, 2019 , the District’s actuarially determined OPEB expense was \$994,703. At June 30, 2019, the District reported deferred outflows of resources of \$5,151,329 and deferred inflows of resources of \$7,651,949.

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Investment gains and losses	\$ 251,628	\$ 229,326
Experience gains and losses		7,422,623
Changes of assumptions	4,899,701	-
Total	\$ 5,151,329	\$ 7,651,949

Deferred inflows of resources are amortized over the expected average remaining service life (EARS�) of the plan participants. The EARS� for the OPEB plan for the June 30, 2019 measurement date is five years. The first year of amortization is recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over 4 or 6.6 years. The remaining amount will be recognized in OPEB expense as follows:

Year Ending June 30,	Amortization
2020	\$ 395,797
2021	395,797
2022	395,794
2023	319,354
2024	382,261
2025	382,261
2026	229,356
Total	\$ 2,500,620

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 12: EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

As of June 30, 2019, the District's net pension liabilities, deferred outflows of resources, deferred inflows of resources and pension expense for each of the retirement plans are as shown herein.

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS (STRP)	\$ 131,427,010	\$ 40,080,689	\$ 9,628,193	\$ 16,181,717
CalPERS (Schools Pool Plan)	138,941,665	43,478,673	2,107,878	27,190,976
Total	<u>\$ 270,368,675</u>	<u>\$ 83,559,362</u>	<u>\$ 11,736,071</u>	<u>\$ 43,372,693</u>

The details for the governmental fund and the fiduciary fund are as shown herein.

Entity:	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Governmental Fund	\$ 267,662,833	\$ 82,712,648	\$ 11,692,737	\$ 42,858,784
Fiduciary Fund	2,705,842	846,714	43,334	513,909
Total	<u>\$ 270,368,675</u>	<u>\$ 83,559,362</u>	<u>\$ 11,736,071</u>	<u>\$ 43,372,693</u>

The details of each plan are as included herein.

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law.

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 12: EMPLOYEE RETIREMENT PLANS

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes to the STRP Defined Benefit Program and STRP Defined Benefit Supplement Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2019, are summarized as shown herein.

Provisions and Benefits	STRP Defined Benefit Program and Supplement Program	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2019 are presented above and the total District contributions were \$14,100,932.

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 12: EMPLOYEE RETIREMENT PLANS

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as shown herein.

	Balance
	June 30, 2019
<u>Proportionate Share of Net Pension Liability</u>	
District proportionate share of net pension liability	\$ 131,427,010
State's proportionate share of the net pension liability associated with the District	<u>75,248,479</u>
Total	<u>\$ 206,675,489</u>

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2018, the District's proportion was 0.1430%.

For the year ended June 30, 2019, the District recognized pension expense of \$16,181,717. In addition, the District recognized revenue and corresponding expense of \$8,839,999 for support provided by the state. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown herein.

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Pension Deferred Outflows and Inflows of Resources</u>		
Pension contributions subsequent to measurement date	\$ 14,100,932	\$ -
Differences between expected and actual experience	407,550	1,909,050
Changes of assumptions	20,417,540	-
Changes in proportion	5,154,667	2,658,373
Net differences between projected and actual earnings on pension plan investments	<u>-</u>	<u>5,060,770</u>
Total	<u>\$ 40,080,689</u>	<u>\$ 9,628,193</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 12: EMPLOYEE RETIREMENT PLANS

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2018 measurement date is seven years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed six years.

The remaining amount will be recognized to pension expense as shown herein.

<u>Year Ending June 30,</u>	<u>Amortization</u>
2020	\$ 5,471,040
2021	3,574,860
2022	126,414
2023	2,484,185
2024	4,375,454
2025	319,611
Total	<u>\$ 16,351,564</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017 used the following methods and assumptions, applied to all prior periods included in the measurement:

<u>Actuarial Methods and Assumptions</u>	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.10%
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 12: EMPLOYEE RETIREMENT PLANS

major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant and adopted by the CalSTRS Board in February 2017. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2017, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Private equity	13%	9.30%
Real estate	13%	5.20%
Fixed income	12%	0.30%
Risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the District’s proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 192,525,190
Current discount rate (7.10%)	131,427,010
1% increase (8.10%)	80,770,690

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 12: EMPLOYEE RETIREMENT PLANS

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized herein.

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 12: EMPLOYEE RETIREMENT PLANS

Provisions and Benefits	Schools Pool Plan (CalPERS)	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019 are as presented above and the total District contributions were \$13,192,231.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$138,941,665. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.5211%.

For the year ended June 30, 2019, the District recognized pension expense of \$27,190,976. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 12: EMPLOYEE RETIREMENT PLANS

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 13,192,231	\$ -
Differences between expected and actual experience	9,108,507	-
Changes of assumptions	13,872,712	-
Changes in proportion	6,165,589	2,107,878
Net differences between projected and actual earnings on pension plan investments	1,139,634	-
Total	<u>\$ 43,478,673</u>	<u>\$ 2,107,878</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Schools Pool Plan for the June 30, 2018 measurement date is 4.0 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 3.0 years.

The remaining amounts will be recognized to pension expense as show herein:

Year Ending June 30,	Amortization
2020	\$ 15,001,214
2021	12,118,692
2022	1,878,751
2023	(820,093)
Total	<u>\$ 28,178,564</u>

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 12: EMPLOYEE RETIREMENT PLANS

used the following methods and assumptions, applied to all prior periods included in the measurement:

<u>Actuarial Methods and Assumptions</u>	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Experience Study	July 1, 1997 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 15 years of mortality improvements using 90 percent of scale MP 2016 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	50%	5.98%
Fixed income	28%	2.62%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 12: EMPLOYEE RETIREMENT PLANS

statutory contribution rates. Based on these assumptions, the Schools Pool Plan fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate is shown herein.

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 202,292,420
Current discount rate (7.15%)	138,941,665
1% increase (8.15%)	86,383,145

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2018, the CalPERS Board adopted new mortality assumptions for the plan. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90 percent of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%. The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. Deferred outflows of resources for changes of assumptions represents the unamortized portion of this assumption change.

Plan Fiduciary Net Position

Detailed information about CalPERS School Employer plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Public Agency Retirement System (PARS)

Plan Description

The Public Agency Retirement System (PARS) is a defined contribution plan qualifying under §401(a) and §501 of the Internal Revenue Code. The plan covers part-time, seasonal and temporary employees and employees not covered by §3121(b)(7)(F) of the Internal Revenue Code. The benefit provisions and contribution requirements of plan members and the District are established and may be amended by the PARS Board of Trustees.

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 12: EMPLOYEE RETIREMENT PLANS

Funding Policy

Contributions of 7.5% of covered compensation of eligible employees are made by the employer and employee. Total contributions, employer and employee combined, were made in the amount of \$922,813 during the fiscal year. The total amount of covered compensation was \$12,328,312. Total contributions made are 100% of the amount of contributions required for fiscal year 2018-19.

NOTE 13: INTERFUND TRANSACTIONS

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund receivables and payables result when the interfund transfer is transacted after the close of the fiscal year. Interfund activity within the government funds has been eliminated in the basic financial statements.

NOTE 14: INTERNAL SERVICE FUNDS

The District is exposed to various risks of loss related injuries to employees and medical claims. During the fiscal year, the District maintained an Internal Service Fund to account for and finance its uninsured risks of loss. The Self Insurance Fund provides coverage for up to a maximum of \$250,000 for each worker's compensation claim filed prior to June 30, 1998. During July 1, 1998, the District is fully insured for workers' compensation. The Self Insurance Fund also provides for a maximum of \$275,000 for each claim each plan year for medical claims. The District purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior and current year claims and premiums.

At June 30, 2019, the District accrued the claims liability in accordance with GASB standards, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The present value of the liability, estimated at \$3,096,345, is included in accrued liabilities.

Changes in the reported liability are shown herein.

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 14: INTERNAL SERVICE FUNDS

<u>Reported Liability</u>	Current Year			<u>Ending Fiscal Year Liability</u>
	<u>Beginning Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	
Workers' Compensation	\$ 341,861	\$ (83,158)	\$ 2,890	\$ 255,813
Health and Other Benefits	3,012,927	18,506,636	18,679,031	2,840,532
Total	<u>\$ 3,354,788</u>	<u>\$ 18,423,478</u>	<u>\$ 18,681,921</u>	<u>\$ 3,096,345</u>

NOTE 15: JOINT POWERS AGREEMENTS

The District participates in four Joint Powers Authority (JPA) entities by written agreement; the Protected Insurance Program for Schools (PIPS), the Schools Association for Excess Risk (SAFER), the CSAC Excess Insurance Authority (CSAC), and the Statewide Association of Community Colleges (SWACC).

PIPS is a California Joint Power Authority (JPA) insurance pool and provides workers' compensation reinsurance protection to its public schools and community college membership throughout California. This is a finite risk sharing pool that transfers risk away from the members to the insurance market. Member premiums are determined based on payroll expense and District loss experience based upon claims incurred.

The SAFER Joint Power Authority is a general liability and property loss excess insurance pool which provides coverage for liability losses from \$1,000,000 to \$50,000,000 for liability, and \$5,000,000 to \$250,000,000 for excess property coverage, dependent upon selected coverage sought by each member.

CSAC Excess Insurance Authority's Master Rolling Owner Controlled Insurance Program covers liability, property, and workers' compensation job-site risks of construction activities for District projects. District as Owner, Construction Manager, General Contractor, contractors and sub-contractors of all tiers. CSAC Membership is comprised of 315 various counties, cities, schools, special districts, and other JPAs. Premiums are determined for each construction project or projects.

The Statewide Association of Community Colleges Joint Power authority ("SWACC") was established to provide a comprehensive program of property and liability coverage for more than 40 community colleges in California. The program's general objectives are to formulate, develop and administer, on behalf of the member public agencies, a program of insurance, to obtain lower costs for that coverage, and to develop comprehensive loss control programs.

Each of the above JPAs is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA, including selection of management and approval of members, independent of any influence by the District beyond the District's representation on the governing boards.

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 15: JOINT POWERS AGREEMENTS

Each JPA is independently accountable for its fiscal matters. Each JPA maintains its own accounting records. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The relationships between the District and the JPAs are such that none of the JPAs are component units of the District for financial reporting purposes.

The most recent condensed financial information available for PIPS, SAFER, CSAC, and SWACC is shown herein.

	PIPS 6/30/2018 (Audited)	SAFER 6/30/2018 (Audited)	CSAC 6/30/2018 (Audited)	SWACC 6/30/2018 (Audited)
<u>JPA Condensed Financial Information</u>				
Total assets	\$ 128,632,982	\$ 39,841,694	\$ 836,033,671	\$ 52,332,118
Total liabilities	104,498,678	38,695,867	713,463,077	34,316,883
Fund balance	<u>\$ 24,134,304</u>	<u>\$ 1,145,827</u>	<u>\$ 122,570,594</u>	<u>\$ 18,015,235</u>
Total revenues	310,649,471	59,869,098	895,529,924	22,350,363
Total expenditures	<u>303,959,631</u>	<u>59,413,248</u>	<u>913,480,592</u>	<u>29,435,155</u>
Net increase/(decrease) in Fund Balance	<u>\$ 6,689,840</u>	<u>\$ 455,850</u>	<u>\$ (17,950,668)</u>	<u>\$ (7,084,792)</u>

NOTE 16: FUNCTIONAL EXPENSE

Operating expenses are reported by natural classification in the statement of revenues, expenses and change in net position. A schedule of expenses by function is shown herein.

<u>Functional Expense</u>	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Supplies, materials, and other operating expenses and</u>	<u>Financial Aid</u>	<u>Depreciation</u>	<u>Total</u>
Instructional activities	\$ 71,263,693	\$ 36,222,442	\$ 7,431,999	\$	\$	\$ 114,918,134
Academic support	22,327,311	11,348,693	5,877,927			39,553,930
Student services	24,934,244	12,673,764	4,011,352			41,619,359
Operation and maintenance of plant	7,857,642	3,993,941	5,490,282			17,341,865
Instructional support services	27,141,893	13,795,884	21,601,609			62,539,387
Community services and economic development	400,505	203,572	53,686			657,762
Ancillary services and auxiliary operations	16,257,163	7,412,415	5,699,149			29,368,727
Physical property and related acquisitions	1,212,978	617,547	6,801,349			8,631,873
Transfers, student aid and other outgo				53,364,955		53,364,955
Depreciation expense					21,290,478	21,290,478
Total	<u>\$ 171,395,428</u>	<u>\$ 86,268,257</u>	<u>\$ 56,967,352</u>	<u>\$ 53,364,955</u>	<u>\$ 21,290,478</u>	<u>\$ 389,286,470</u>

COAST COMMUNITY COLLEGE DISTRICT

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

NOTE 17: COMMITMENTS AND CONTINGENCIES

Litigation

The District is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

State and Federal Allowances, Awards, and Grants

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

Purchase Commitments

As of June 30, 2019, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$67,600,000. Projects will be funded through bond proceeds, state funds and general funds.

**NOTE 18: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

GASB has issued pronouncements prior to June 30, 2019, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 84 – *Fiduciary Activities*

The objective of the statement is to improve guidance regarding the recognition of fiduciary activities for accounting and financial reporting purposes by establishing criteria for identifying fiduciary activities of all state and local governments. The statement is effective for the fiscal year 2019-20.

Statement No. 87 – *Leases*

The objective of the statement is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Inflows of resources or outflows of resources will be recognized based on the payment provisions of the contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement is effective for the fiscal year 2020-21.

COAST COMMUNITY COLLEGE DISTRICT

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

**NOTE 18: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

Statement No. 90 – Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61

The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 percent equity interest is acquired in that component unit. The statement is effective for the fiscal year 2019-20.

Statement No. 91 – Conduit Debt Obligations

The objective of the statement is to eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations and related note disclosures. The statement clarifies the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the user, and establishing standards for accounting and financial reporting. The statement is effective for the fiscal year 2021-22.

REQUIRED SUPPLEMENTARY INFORMATION

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
For the Fiscal Year Ended June 30, 2019**

Total OPEB Liability	2017	2018	2019
Service Cost	\$ 4,772,670	\$ 4,903,918	\$ 5,038,776
Interest	5,885,743	6,133,300	6,394,336
Benefit Payments	(6,533,048)	(6,794,370)	(6,713,720)
Changes in Benefit Terms			(5,671,949)
Changes in Assumptions			5,642,081
Experience Gains and Losses	-	-	(8,547,263)
Net Change in Total OPEB Liability	<u>4,125,365</u>	<u>4,242,848</u>	<u>(3,857,739)</u>
Total OPEB Liability - beginning	<u>99,041,524</u>	<u>103,166,889</u>	<u>107,409,737</u>
Total OPEB Liability - ending (a)	<u>\$ 103,166,889</u>	<u>\$ 107,409,737</u>	<u>\$ 103,551,998</u>
Plan Fiduciary Net Position	2017	2018	2019
Contributions - Employer	\$ 6,533,048	\$ 6,794,370	\$ 6,713,720
Net Investment Income	6,030,540	4,292,242	4,562,166
Investment gains/losses	-	382,212	(314,535)
Benefit Payments	(6,533,048)	(6,794,370)	(6,713,720)
Administrative Expense	(106,841)	(159,926)	(191,502)
Net Change in Plan Fiduciary Net Position	<u>5,923,699</u>	<u>4,514,528</u>	<u>4,056,129</u>
Plan Fiduciary Net Position - beginning	<u>65,693,627</u>	<u>71,617,326</u>	<u>76,131,854</u>
Plan Fiduciary Net Position - ending (b)	<u>\$ 71,617,326</u>	<u>\$ 76,131,854</u>	<u>\$ 80,187,983</u>
Net OPEB Liability - ending (a) - (b)	<u>\$ 31,549,563</u>	<u>\$ 31,277,883</u>	<u>\$ 23,364,015</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	69.42%	70.88%	77.44%
Covered payroll	\$ 110,477,993	\$ 119,244,509	\$ 124,441,825
Net OPEB liability as a percentage of covered payroll	28.56%	26.23%	18.78%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS MONEY-WEIGHTED RATE OF RETURN ON PLAN ASSETS
For the Fiscal Year Ended June 30, 2019**

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
2017	NA
2018	NA
2019	NA

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2019**

State Teachers' Retirement Plan - State Teachers' Retirement Plan	2015	2016	2017	2018	2019
District's proportion of the net pension liability	0.1360%	0.1460%	0.1410%	0.1400%	0.1430%
District's proportionate share of the net pension liability	\$ 79,474,320	\$ 98,293,040	\$ 114,042,210	\$ 129,472,000	\$ 131,427,010
State's proportionate share of the net pension liability associated with the District	47,990,508	51,986,043	64,931,754	76,595,165	75,248,479
Total	<u>\$ 127,464,828</u>	<u>\$ 150,279,083</u>	<u>\$ 178,973,964</u>	<u>\$ 206,067,165</u>	<u>\$ 206,675,489</u>
District's covered payroll	\$ 60,100,000	\$ 67,800,000	\$ 71,000,000	\$ 77,100,000	\$ 77,600,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	132%	145%	161%	168%	169%
Plan fiduciary net position as a percentage of the total pension liability	77%	74%	70%	69%	71%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

California Public Employees' Retirement Plan - Schools Pool Plan	2015	2016	2017	2018	2019
District's proportion of the net pension liability	0.5164%	0.5156%	0.4943%	0.4778%	0.5211%
District's proportionate share of the net pension liability	\$ 58,623,973	\$ 75,999,949	\$ 97,624,556	\$ 114,063,471	\$ 138,941,665
District's covered payroll	\$ 53,300,000	\$ 56,700,000	\$ 59,700,000	\$ 60,300,000	\$ 64,700,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	110%	134%	164%	189%	215%
Plan fiduciary net position as a percentage of the total pension liability	83%	79%	74%	72%	71%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS – STRP AND CALPERS
For the Fiscal Year Ended June 30, 2019**

State Teachers' Retirement Plan - State Teachers' Retirement Plan	2015	2016	2017	2018	2019
Contractually required contribution	\$ 6,022,305	\$ 7,618,862	\$ 9,698,103	\$ 11,199,040	\$ 14,100,932
Contributions in relation to the contractually required contributions	<u>6,022,305</u>	<u>7,618,862</u>	<u>9,698,103</u>	<u>11,199,040</u>	<u>14,100,932</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 67,800,000	\$ 71,000,000	\$ 77,100,000	\$ 77,600,000	\$ 86,100,000
Contributions as a percentage of its covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not presented retroactively. Years will be added to this schedule as future data becomes available.

California Public Employees' Retirement Plan	2015	2016	2017	2018	2019
Contractually required contribution	\$ 6,678,600	\$ 7,075,135	\$ 8,536,763	\$ 10,974,290	\$ 13,192,231
Contributions in relation to the contractually required contributions	<u>6,678,600</u>	<u>7,075,135</u>	<u>8,536,763</u>	<u>10,974,290</u>	<u>13,192,231</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 56,742,566	\$ 59,705,781	\$ 61,459,777	\$ 70,665,100	\$ 73,046,683
Contributions as a percentage of its covered payroll	11.78%	11.85%	14.16%	16.96%	19.69%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Changes in the Net OPEB Liability and Related Ratios

The schedule is intended to show trends about the changes in the District's actuarially determined liability for postemployment benefits other than pensions.

Benefit changes – Benefit terms increased eligibility requirements for newly hired employees as described in the Plan Description and Eligibility section and the removal of Delta Health Systems as an option for new retirees.

Changes of Assumptions - None

Schedule of Postemployment Healthcare Benefits Money-Weighted Rate of Return on Plan Assets

The schedule is intended to show trends about the rate of return on plan assets.

Schedules of District's Proportionate Share of the Net Pension Liability – STRP and CalPERS

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedules of District Contributions – STRP and CalPERS

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

SUPPLEMENTARY INFORMATION

COAST COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION For the Fiscal Year Ended June 30, 2019

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

The Board of Trustees and the District Administrators for the fiscal year ended June 30, 2019 were as follows:

BOARD OF TRUSTEES

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Dr. Lorraine Prinsky	President	2020
Mr. Jerry Patterson	Vice President	2020
Mr. Jim Moreno	Clerk of the Board	2022
Mr. David A. Grant	Trustee	2022
Ms. Mary L. Hornbuckle	Trustee	2020
Mr. Spencer Finkbeiner	Student Trustee	2019-2020

DISTRICT ADMINISTRATORS

Dr. John Weispfenning	Chancellor
Mr. Kevin Ballinger	Interim President, Orange Coast College
Mr. Tim McGrath	President, Golden West College
Dr. Loretta Adrian	President, Coastline Community College
Dr. Andrew Dunn	Vice Chancellor, Finance and Administrative Services
Dr. Marco Baeza	Vice Chancellor, Human Resources
Dr. Andreea Serban	Vice Chancellor, Educational Services and Technology

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2019**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Department of Education			
Direct:			
Student Financial Aid Cluster:			
Federal Work Study	84.033	(1)	\$ 742,862
Financial Aid Administrative Allowance	84.063	(1)	36,222
Pell Grant	84.063	(1)	37,277,279
Federal Supplemental Education Opportunity Grant	84.007	(1)	648,064
Federal Direct Student Loans	84.268	(1)	6,346,653
Perkins Loans	84.038	(1)	1,236,469
Subtotal: Student Financial Aid Cluster			<u>46,287,549</u>
Higher Education Institutional Aid			
Direct:			
Title III - Access 2 Success	84.031A	(1)	186,965
Orange Coast College STEM Academy	84.031S	(1)	157,715
New Asian American Pacific Islander Generation Initiative	84.031L	(1)	365,852
Passed through from CSU Fullerton Auxiliary Services Cooperation:			
Project RAISE: Regional Alliance in STEM Education	84.031C	(1)	33,107
Passed through from CSU Fullerton Auxiliary Services Cooperation:			
Vista: Novel Approaches for Leveraging Tomorrow's Solutions with Today's Answers in Improving Education (Vista)	84.031S		125,503
Subtotal: Higher Educational Institutional Aid			<u>869,142</u>
Pass-Through Program From California Community Colleges Chancellor's Office:			
Career and Technical Education - Basic Grants to States (CTE):			
CTE Title I, Part C - Carl D. Perkins FYE	84.048A	(1)	1,340,057
CTE Transitions	84.048A	(1)	115,020
Subtotal: CTE			<u>1,455,077</u>
Pass-Through Program From California Department of Education:			
Adult Education - Basic Grants to States	84.002	(1)	95,847
Subtotal: Passed-Through Programs			<u>1,550,924</u>
Total: United States Department of Education			<u>48,707,615</u>
United States Department of Agriculture			
Pass-Through Program From California Department of Education:			
Child Care Food Program	10.558	(1)	69,584
Total: United States Department of Agriculture			<u>69,584</u>

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2019**

Program Name	Federal Catalog Number	Pass-Through	Total Program Expenditures
		Entity Identifying Number	
United States Department of Health and Human Services			
Pass-Through Program From California Community Colleges Chancellor's Office:			
Temporary Assistance for Needy Families (OCC)	93.558	(1)	55,862
Temporary Assistance for Needy Families (GWC)	93.558	(1)	44,981
Temporary Assistance for Needy Families (CCC)	93.558	(1)	34,382
Pass-Through Program From California Department of Education:			
Child Care and Development Block Grant	93.575	15136	30,440
Child Care and Development Fund	93.596	13609	66,219
Pass-Through Program From Yosemite Community College District:			
Child Development Training Consortium	93.575	(1)	20,513
Pass-Through Program From Regents of the University of California			
Biomedical Research and Research Training			
Orange County Bridges to the Baccalaureate Program	93.859	2018-3636	6,144
Subtotal: Passed-Through Programs			<u>258,541</u>
Total: United States Department of Health and Human Services			<u>258,541</u>
National Science Foundation (NSF)			
Direct:			
Cyberup! Digital Forensics and Incident Response	47.076	(1)	<u>21,515</u>
Total: National Science Foundation			<u>21,515</u>
United States Department of Defense			
Information Security Grants			
Direct:			
CAE-2Y Pilot Grant Program - CAE Development of CAE Regional Resource Centers (CRRCs)	12.902	(1)	10,474
CAE Cyber Defense National and Regional Resource Centers and FY 17 CY	12.902	(1)	41,493
Cybersecurity Workforce Education - FY17 CAE Regional Resource Center			13,497
DoD IASP Cybersecurity Workforce Education	12.902	(1)	32,537
Cyber Private Public Partnership (P3) Scholarship Program	12.902	(1)	<u>3,524</u>
Subtotal: Information Security Grants	12.902	(1)	101,525
GenCyber Grants Program	12.903	(1)	<u>7,056</u>
Total: United States Department of Defense			<u>108,581</u>
United States Department of Homeland Security			
Boating Safety Financial Assistance			
Passed through from California Department of Parks and Recreation			
Aquatic Center FY 17-18	97.012	C8962313	15,362
Aquatic Center Grant - Whaler FY 18-19	97.012	C8956316	<u>20,796</u>
Total: United States Department of Homeland Security			<u>36,158</u>
Total Federal Program Expenditures			<u>\$ 49,201,994</u>
Reconciliation to Federal Revenue			
Total Expenditures Federal Programs			\$ 49,201,994
Perkins Loan Program, loan balance outstanding			<u>(1,236,469)</u>
Total Federal Program Revenue			<u>\$ 47,965,525</u>

(1) Pass-Through Entity Identifying Number not readily available or not applicable

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS For the Fiscal Year Ended June 30, 2019

Program Name	Program Revenues					Total	Total Program Expenditures
	Cash Received	Prior Year Unearned Revenue	Accounts Receivable	Unearned Revenue	Accounts Payable		
State Categorical Aid Programs:							
AEBG Adult Block Grant	\$ 1,582,030	\$ 2,497,069	\$ -	\$ 1,978,216	\$ -	\$ 2,100,883	\$ 2,100,883
Board Financial Assistance Admin Allowance	1,529,193	-	-	-	-	1,529,193	1,529,193
Basic Skills and Student Outcomes	-	201,236	817,912	-	-	201,236	201,236
Campus Safety & Sexual Assault	-	64,429	-	54,652	-	9,777	9,777
Cal Grant	-	3,344,392	2,782	-	-	3,344,392	3,344,392
California College Promise	1,463,028	-	-	1,160,296	-	302,732	302,732
California Cybersecurity Apprenticeship Prgm (CCAP)	253,836	-	-	123,345	-	130,491	130,491
CCC Innovation Maker 3	13,043	-	-	-	-	13,043	13,043
CCC Maker Grant - OCC Innovation	171,249	-	178,854	-	-	171,249	171,249
Child and Adult Care Food Program	2,419	-	534	-	-	2,419	2,419
Child Development: California State Preschool Program	177,882	-	80,486	-	-	177,882	177,882
Child Development: General Child Care & Development Program	223,964	-	4,054	-	-	223,964	223,964
Coast Mental Health Impact	-	-	184,390	-	-	-	-
Community College Completion Grant	-	547,860	-	-	-	547,860	547,860
Cooperating Agencies Foster Youth Education Support	492,749	-	-	229	-	492,520	492,520
CTE Data Unlocked Initiative	-	131,909	-	39,510	-	92,399	92,399
Disabled Student Programs & Service (DSPS)	3,186,120	-	-	-	-	3,186,120	3,186,120
DSN Advanced Transportation	80,000	-	-	23,007	-	56,993	56,993
DSN Health	80,000	-	55,200	-	-	80,000	80,000
DSN Retail Hospitality	80,000	-	-	17,616	-	62,384	62,384
Economic & Workforce Development- Deputy Sector Navigator - Health	66,336	-	-	-	-	66,336	66,336
Extended Opportunity Programs and Services (EOPS)	3,412,539	-	-	-	-	3,412,539	3,412,539
ED Futures Teacher Prep Pipeline	41,141	-	-	8,697	-	32,444	32,444
Equal Employment Opportunity	50,000	22,381	-	2,968	-	69,413	69,413
Cooperative Agency Resource Education (CARE)	292,666	-	-	-	-	292,666	292,666
CalWORKs	714,529	-	-	2,280	-	712,249	712,249
Financial Aid Technology	434,301	-	-	269,875	-	164,426	164,426
Full-time Student Success Grant	-	37,360	-	-	-	37,360	37,360
Guided Pathways	1,106,532	902,907	-	1,507,300	-	502,139	502,139
Hunger Free Campus	270,612	33,604	-	230,694	-	73,522	73,522
Innovation and Effectiveness / SCCCD	-	63,953	-	-	-	63,953	63,953
Mental Health Support	269,412	-	-	249,692	-	19,720	19,720
Mental Health Training CA Law Enforcement	222,159	123,801	19,949	81,031	-	264,929	264,929
Nonresident Dreamer Emergency Aid	-	45,295	-	24,161	-	21,134	21,134
Nursing Education - AS RN Enrollment Growth Retention	103,290	-	-	-	-	103,290	103,290
Peace Office Standards & Training (POST)	-	-	3,577	-	-	-	-
Professional Development for Classified Employees	-	-	5,042	-	-	-	-
Santa Ana TECH - California Career Pathways Grant	150,371	-	-	150,371	-	-	-
State Funded Equipment	-	-	218,403	-	-	-	-
State Hospitals (Fairview Handicapped)	337,000	-	-	-	-	337,000	337,000
Strong Workforce Program - Local	3,335,595	3,074,743	-	3,516,712	-	2,893,626	2,893,626
Strong Workforce Program - Regional	2,201,515	-	697,584	-	-	2,201,515	2,201,515
Student Equity and Achievement	8,435,925	4,201,541	29,331	4,514,498	-	8,122,968	8,122,968
Student Equity Program	3,284,538	1,707,030	-	1,650,428	-	3,341,140	3,341,140
Student Success Completion	671,429	1,621,360	-	245,046	-	2,047,743	2,047,743
Veteran Resource Center	156,595	155,822	-	182,549	-	129,868	129,868
Zero Textbook Cost Degree Planning & Phase II	37,801	-	-	7,686	-	30,115	30,115
Total State Categorical Aid Programs	\$ 34,929,799	\$ 18,776,692	\$ 2,298,098	\$ 16,040,859	\$ -	\$ 37,665,632	\$ 37,665,632

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
 For the Fiscal Year Ended June 30, 2019**

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2018 only)			
1. Noncredit ¹	14.89		14.89
2. Credit ¹	1,684.16		1,684.16
B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)			
1. Noncredit ¹	0.09		0.09
2. Credit ¹	1,609.83		1,609.83
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	18,413.89		18,413.89
(b) Daily Census Contact Hours	1,033.76		1,033.76
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit ¹	463.58		463.58
(b) Credit ¹	1,136.34		1,136.34
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	4,234.71		4,234.71
(b) Daily Census Contact Hours	1,950.99		1,950.99
(c) Noncredit Independent Study/Distance Education Courses	-		-
D. Total FTES	30,542.24	-	30,542.24
Supplemental Information (subset of above information)			
E. In-service Training Courses (FTES)	10.58		10.58
H. Basic Skills courses and Immigrant Education			
(a) Noncredit ¹	433.00		433.00
(b) Credit ¹	1,671.79		1,671.79
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	328.80		328.80
Centers FTES			
(a) Noncredit ¹	-		-
(b) Credit ¹	-		-

¹ Including Career Development and College Preparation (CDCP) FTES

COAST COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

The audit resulted in no adjustments to the fund balances reported on the June 30, 2019 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. In accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Additional entries were made to comply with the governmental reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

A reconciliation between the fund balances reported on the June 30, 2019 Annual Financial and Budget Report (CCFS-311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown below and on the following page:

General Fund Balance		\$ 35,129,318
Bond Interest and Redemption Fund Balance		45,912,260
Capital Outlay Fund Balance		24,312,986
Measure M - Bond Construction Funds Balance		190,008,755
Self-Insurance Fund Balance	\$ 119,417,091	
Amount reported as OPEB Plan Fund Balance	(80,187,983)	
Incurred but not reported liability	<u>(3,096,345)</u>	
Self-Insurance Fund Balance - Revised		36,132,763
All Other Funds		<u>11,027,949</u>
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)		<u>\$ 342,524,031</u>

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311) \$ 342,524,031

Amounts reported for governmental activities in the statement of net position are different because:

Notes receivable is recognized in the statement of net position. The repayment of notes receivable is reported as revenue in the governmental funds, but the repayment reduces the notes receivable in the statement of net position. 11,437,500

Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Net capital assets of \$5,189,250 is already recorded in other governmental funds. Capital assets, net of accumulated depreciation are added to total net assets. 656,973,396

Deferred charges on refunding debt are recorded as deferred outflows and are amortized over the life of the refunded debt. 22,597,752

Deferred outflows of resources - OPEB and Pensions are for contributions made during the fiscal year that are removed from expenses and differences between estimated and actual results. The contributions will be recognized as a reduction of the net pension liability in the subsequent year and the differences will be amortized. 87,863,977

Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds. The short term portion of \$741,457 is already recorded in the General Fund. (7,503,889)

Long-term liabilities related to bonds are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Bond related liabilities are added to the statement of net position which reduces the total net assets reported. (872,636,296)

The liability of employers contributing for other post employment retirement plans in excess of annual required contributions is reported as a liability in the governmental funds. (23,364,015)

The liability of employers contributing for the medicare premium payment plan. (857,403)

The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension liabilities. (267,662,833)

Deferred inflows of resources - OPEB and Pensions represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources results from various differences between estimated and actual results. These amounts are deferred and amortized. (19,344,686)

Interest expense related to bonds incurred through June 30, 2019 is accrued as a current liability on the statement of net position which reduces the total net assets reported. (12,054,794)

Total net position \$ (82,027,260)

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2019**

Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>						
Instructional Salaries - Contract or Regular	1100	39,475,818		39,475,818	39,475,818	39,475,818
Instructional Salaries - Other	1300	30,560,662		30,560,662	30,569,584	30,569,584
Total Instructional Salaries		70,036,480	-	70,036,480	70,045,402	70,045,402
Non-Instructional Salaries - Contract or Regular	1200	-		-	16,893,363	16,893,363
Non-Instructional Salaries - Other	1400	-		-	2,388,883	2,388,883
Total Non-Instructional Salaries		-	-	-	19,282,246	19,282,246
Total Academic Salaries		70,036,480	-	70,036,480	89,327,648	89,327,648
<u>Classified Salaries</u>						
Non-Instructional Salaries - Regular Status	2100	-		-	38,661,252	38,661,252
Non-Instructional Salaries - Other	2300	-		-	2,860,142	2,860,142
Total Non-Instructional Salaries		-	-	-	41,521,394	41,521,394
Instructional Aides - Regular Status	2200	3,736,146		3,736,146	3,736,146	3,736,146
Instructional Aides - Other	2400	1,163,124		1,163,124	1,163,124	1,163,124
Total Instructional Aides		4,899,270	-	4,899,270	4,899,270	4,899,270
Total Classified Salaries		4,899,270	-	4,899,270	46,420,664	46,420,664
Employee Benefits	3000	31,226,874		31,226,874	64,697,089	64,697,089
Supplies and Materials	4000	-		-	2,009,975	2,009,975
Other Operating Expenses	5000	-		-	17,229,194	17,229,194
Equipment Replacement	6420	-		-	-	-
Total Expenditures Prior to Exclusions		106,162,624	-	106,162,624	219,684,570	219,684,570
<u>Exclusions</u>						
<u>Activities to Exclude</u>						
Instructional Staff-Retirees' Benefits & Retirement Incentives	5900	3,237,214		3,237,214	3,237,214	3,237,214
Student Health Services Above Amount Collected	6441	-		-	73,009	73,009
Student Transportation	6491	-		-	560,085	560,085
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740	-		-	6,011,968	6,011,968
<u>Objects to Exclude</u>						
Rents and Leases	5060	-		-	1,226,067	1,226,067
Lottery Expenditures		-		-	-	-
Academic Salaries	1000	-		-	3,045,974	3,045,974
Classified Salaries	2000	-		-	-	-
Employee Benefits	3000	-		-	991,515	991,515
Software	4100	-		-	-	-
Books, Magazines, & Periodicals	4200	-		-	-	-
Instructional Supplies & Materials	4300	-		-	-	-
Noninstructional, Supplies & Materials	4400	-		-	-	-
Other Operating Expenses and Services	5000	-		-	1,721,192	1,721,192
Capital Outlay	6000	-		-	-	-
Library Books	6300	-		-	-	-
Equipment - Additional	6410	-		-	-	-
Equipment - Replacement	6420	-		-	-	-
Other Outgo	7000	-		-	-	-
Total Exclusions		3,237,214	-	3,237,214	16,867,024	16,867,024
Total for ECS 84362, 50% Law		102,925,410	-	102,925,410	202,817,546	202,817,546
Percent of CEE (Instructional Salary Cost/Total CEE)		50.75%	0%	50.75%	100%	100%
50% of Current Expense of Education					101,408,773	101,408,773

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30, 2019**

	<u>2020 (Budgeted)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total revenues	\$ 287,425,207	\$ 275,728,899	\$ 260,484,981	\$ 250,569,791
Total expenditures	286,645,528	278,616,278	266,123,865	258,999,882
Total other sources	<u>1,107,343</u>	<u>1,667,536</u>	<u>1,095,176</u>	<u>1,050,000</u>
Change in fund balance	1,887,022	(1,219,839)	(4,543,708)	(7,380,091)
Ending fund balance	<u>\$ 37,016,340</u>	<u>\$ 35,129,318</u>	<u>\$ 36,349,157</u>	<u>\$ 40,892,865</u>
Available reserve	<u>\$ 36,045,345</u>	<u>\$ 30,602,488</u>	<u>\$ 31,141,380</u>	<u>\$ 27,305,716</u>
Available reserve %	12.57%	10.98%	11.70%	10.54%
Full-time equivalent students	<u>30,542</u>	<u>30,542</u>	<u>32,626</u>	<u>30,292</u>
Total long term debt	<u>\$ 853,959,502</u>	<u>\$ 886,237,416</u>	<u>\$ 917,475,338</u>	<u>\$ 934,302,228</u>

IMPORTANT NOTES:

Available reserve balance is the amount designated for general reserve and any other remaining undesignated amounts in the General Fund. The 2020 budget reserve balance was estimated using the budgeted contingency reserve balances less other 2019 amounts reserved.

The 2020 budget is the Plan and Budget adopted by the Board of Trustees on September 4, 2019.

The California Community College Chancellor's Office has provided guidelines that recommend an ending fund balance of 3% of unrestricted expenditures as a minimum with a prudent ending fund balance being 5% of unrestricted expenditures.

Long-term debt is reported for the District as a whole and includes debt related to all funds, excluding the postemployment healthcare, medicare premium payment, and net pension liabilities.

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District did not use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Federal Student Loan Programs

The federal student loan program listed below is administered directly District, and balances and transactions relating to this program is included in the District's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2019 consists of:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Perkins Loans	84.038	\$1,060,324

Schedule of State Financial Assistance - Grants

The Schedule of State Financial Assistance was prepared on the modified accrual basis of accounting

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

The Schedule of Workload Measures for State General Apportionment represents the basis of apportionment of the District's annual source of funding.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule reports any audit adjustments made to the fund balances of all funds as reported on the June 30, 2019 Annual Financial and Budget Report (Form CCFS-311). This schedule shows a reconciliation between the governmental fund balances on the June 30, 2019 CCFS-311, based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting shown.

Reconciliation of 50 Percent Law Calculation

This schedule reports any audit adjustments made to the 50 percent law calculation (Education Code Section 84362).

Education Protection Account Expenditure Report

This schedule reports how funds received from the passage of Proposition 55 Education Protection Act were expended.

Schedule of General Fund Financial Trends and Analysis

This report is prepared to show financial trends of the General Fund over the past three fiscal years as well as the current year budget. This schedule is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

OTHER INDEPENDENT AUDITORS' REPORT



**INDEPENDENT AUDITORS' 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 basic financial statements of Coast Community College District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements and have issued our report thereon dated November 14, 2019.

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 AUDITORS' 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 District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Coast Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 14, 2019

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

We have audited the Coast Community College District's (the District) compliance with the types of compliance requirements described in the *2018-19 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2019. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified below.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2018-19 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the laws and regulations applicable to the following items:

<u>Section</u>	<u>Description</u>	<u>Procedures Performed</u>
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Activities Funded From Other Sources	Yes
424	State General Apportionment Funding System	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Dual Enrollment (CCAP and Non-CCAP)	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
439	Proposition 39 Clean Energy Funds	Yes
444	Apprenticeship Related and Supplemental Instruction (RSI) Funds	Not applicable
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Yes
490	Proposition 1D and 51 State Bond Funded Projects	Yes
491	Education Protection Account Funds	Yes

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2019.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2018-19 Contracted District Audit Manual*, published by the California Community College Chancellor's Office. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP
Glendora, California
November 14, 2019

FINDINGS AND QUESTIONED COSTS

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2019

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of Major Federal Programs:

CFDA Number(s) Name of Federal Program or Cluster
84.007, 84.033,
84.038, 84.063, and
84.268 Student Financial Aid Cluster

The Single Audit for fiscal year 2019 was performed in accordance with the August 2019 edition Dollar threshold used to distinguish between type A and type B programs: \$1,216,756

Auditee qualified as low-risk auditee? Yes X No

The Single Audit for fiscal year 2019 was performed in accordance with the August 2019 edition of the 2019 Compliance Supplement.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS**

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2019

There were no findings and questioned costs related to federal awards for the year ended June 30, 2019.

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2019

There were no findings and questioned costs related to state awards for the year ended June 30, 2019.

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2019

There were no findings and questioned costs in the prior year.

CONTINUING DISCLOSURE INFORMATION

COAST COMMUNITY COLLEGE DISTRICT

**2018-2019 LARGEST LOCAL SECURED TAXPAYERS (UNAUDITED)
June 30, 2019**

2018-2019 Largest Local Secured Taxpayers

<u>Property Owner</u>	<u>Land Use</u>	<u>2018-2019 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
The Irvine Company	Commercial	\$1,483,560,416	1.09%
Bella Terra Associates LLC	Commercial	347,015,923	0.25%
PH Finance LLC	Commercial	289,974,839	0.21%
South Coast Plaza	Commercial	280,695,159	0.21%
Villas at Fashion Island LLC	Apartments	257,687,777	0.19%
PR II/MCC South Coast Property Owner	Commercial	242,918,482	0.18%
PCH Beach Resort LLC	Commercial	206,143,963	0.15%
DCO Pacific City LLC	Apartments	203,514,519	0.15%
United Dominion Realty LP	Apartments	202,882,898	0.15%
McDonnell Douglas Corp.	Industrial	192,572,812	0.14%
Hyundai Motor America	Commercial	191,376,242	0.14%
SoCal Holding LLC	Oil & Gas	184,594,731	0.13%
JKS-CMFV LLC	Commercial	179,841,490	0.13%
520 Newport Center Drive LLC	Commercial	174,061,786	0.13%
650 Newport Center Drive LLC	Commercial	157,815,585	0.12%
S-Tract LLC	Commercial	150,089,235	0.11%
Insurance Exchange of the Automobile Club of America	Commercial	140,729,104	0.10%
Westminster Mall LLC	Commercial	139,522,097	0.10%
UDR Newport Beach North LP	Apartments	135,306,348	0.10%
Elan Multifamily LLC	Apartments	<u>133,620,000</u>	<u>0.10%</u>
		\$5,293,923,406	3.88%

(1) 2018/19 Local Secured Assessed Valuation: \$136,483,349,229.
Source: California Municipal Statistics. Inc.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2019**

	<u>General Fund</u>		
	<u>Budget *</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenue</u>			
Revenue from Federal Sources			
Higher Education Act	\$ 1,338,800	\$ 1,144,936	\$ (193,864)
Temporary Assistance for Needy Families (TANF)	135,226	135,225	(1)
Career and Technical Education Act	1,513,015	1,455,077	(57,938)
Other Federal Revenue	2,012,499	792,048	(1,220,451)
Revenue from State Sources			
General Apportionments	52,518,031	45,168,815	(7,349,216)
Categorical Apportionments	50,559,257	42,166,694	(8,392,563)
Other State Revenues	14,564,216	9,183,396	(5,380,820)
Revenue from Local Sources			
Property Taxes	134,270,432	136,564,381	2,293,949
Interest and Investment Income	677,463	1,275,218	597,755
Student Fees and Charges	32,296,735	33,885,789	1,589,054
Other Local Revenue	2,989,170	4,707,324	1,718,154
Total Revenue	<u>292,874,844</u>	<u>276,478,903</u>	<u>(16,395,941)</u>
<u>Expenditures</u>			
Academic Salaries	96,183,402	97,488,843	(1,305,441)
Classified Salaries	71,483,370	65,306,498	6,176,872
Employee Benefits	71,506,521	75,289,175	(3,782,654)
Supplies and Materials	8,190,675	5,087,186	3,103,489
Other Operating Expenses & Services	42,396,989	24,619,453	17,777,536
Capital Outlay	6,499,123	4,134,383	2,364,740
Other Uses	7,384,571	5,560,198	1,824,373
Total Expenditures	<u>303,644,650</u>	<u>277,485,736</u>	<u>26,158,914</u>
Excess (deficiency) of revenues over expenditures	<u>(10,769,806)</u>	<u>(1,006,833)</u>	<u>9,762,973</u>
<u>Other Financing Sources (Uses)</u>			
Interfund Transfers In	-	917,532	917,532
Interfund Transfers Out	(1,146,956)	(1,130,538)	16,418
Total Other Financing Sources (Uses)	<u>(1,146,956)</u>	<u>(213,006)</u>	<u>933,950</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (11,916,762)</u>	<u>(1,219,839)</u>	<u>\$ 10,696,923</u>
Fund Balance at Beginning of Year		<u>36,349,157</u>	
Fund Balance at End of Year		<u>\$ 35,129,318</u>	

* The budgets amounts were adjusted to include the STRS on-behalf payments for GASB 68.

