

COAST COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENTS
June 30, 2020

COAST COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

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COAST COMMUNITY COLLEGE DISTRICT

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COAST COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
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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 business-type activities, the fiduciary activities and the discretely presented component units of Coast Community College District, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Coast Community College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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

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

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the fiduciary activities and the discretely presented component units of the Coast Community College District, as of June 30, 2020, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 21 and the Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 75 to 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coast Community College District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule of expenditures of federal awards and other supplementary information as listed in the table of contents, except for the Organization and Continuing Disclosure Information, have 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 schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the information on page 81 titled Organization and pages 108 to 110 titled Continuing Disclosure Information, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information on page 81 titled Organization and pages 108 to 110 titled 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.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2021 on our consideration of Coast Community College 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 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 Coast Community College 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 Coast Community College District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and somewhat stylized.

Crowe LLP

Sacramento, California
February 22, 2021

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2020

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, 2020. 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

State of the 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

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2020

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.

COVID-19 Pandemic

On March 4, 2020, Governor Gavin Newsom declared a State of Emergency in connection with the COVID-19 pandemic. Following this action, on March 16, 2020, the Board of Governors (BOG) approved a resolution and an emergency regulation to provide Chancellor Eloy Oakley with emergency powers to address the COVID-19 pandemic. Lastly, at a special meeting of the Board of Trustees held March 13, 2020, to address the COVID-19 pandemic, Resolution 20-18 was adopted delegating certain matters to the Chancellor, and Resolution 20-19 was adopted Declaring a State of Emergency and Delegating Authority to the Chancellor to Close District Centers, Campuses, and Offices, and to Otherwise Respond to the Novel Coronavirus (COVID - 19).

Coronavirus Aid, Relief, and Economic Security (CARES) Act

The Coronavirus Aid, Relief, and Economic Security (CARES) Act is the third federal stimulus package in response to the COVID 19 pandemic. On April 9, 2020, the U.S. Secretary of Education announced that \$6 billion of the total \$13.95 billion Higher Education Emergency Relief Fund would be distributed immediately to colleges and universities to provide direct emergency cash grants to college students. The balance would be allocated at a later date for institutional related needs.

Approximately \$579 million is expected to be received by the California Community College system. Of that amount, approximately \$14 million is directed to the Coast Colleges. These resources are being sent directly to institutions through the Title IV student financial aid distribution system based on a formula primarily weighted toward the full-time enrollment of Pell recipients.

The May Revise

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. Key highlights include \$230 million to cover a 3.26% COLA for CCC apportionments, \$39 million for the Scheduled Maintenance Program (SMP) Block grant, \$45 million ongoing to cover the second year of California College Promise, and \$13 million to provide a COLA for several CCC categorical programs.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2020

2019-20 Enacted State Budget

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 4, 2020. 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:

- 3.26% Cost of Living Adjustment,
- Reserves of at least 10% consistent with Board Policy 6300,
- No budgeted growth,
- 1,005 “borrowed” FTES from Summer 2020 to ensure Coast closed the prior year at a base FTES level of 28,838.

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) are projected to be a negative \$520 thousand.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2020

Expense Estimates

Major new expenses reflected a health benefits 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 million. Total new expenses are estimated at \$10 million

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.

Supplemental Retirement Plan

At the January 15, 2020, meeting of the Board of Trustees, following several successive years of deficit spending, a declining fund balance and softening enrollments, action was taken by the Board across three significant fronts.

First, through the adoption of Resolution 20-01, in conjunction with Public Agency Retirement Services (“PARS”), the District offered the PARS Supplementary Retirement Plan involving a retirement incentive of 70% of annual salary to eligible classified, faculty, and management employees. Second, under Resolution 20-02, the District offered a retirement incentive of two years of service credit to eligible California State Teachers Retirement System (CalSTRS) members. Lastly, under Resolution 20-03, the Board imposed a Hiring Freeze beginning in January 2020 and running through June 2021.

On April 28, 2020, at a special meeting of the Board of Trustees, action was taken to approve the two plans reflecting 123 employees enrolled in the PARS Supplementary Retirement Plan and the CalSTRS Retirement Incentive Plan. The District is projecting an overall savings of approximately \$2.6 million in the first year and \$11.6 million cumulative over five years, after including all costs of administering the programs.

Other Post-Employment Benefits (OPEB)

Historically, insufficient funds were set aside by governmental entities to fully fund contractual obligations for retiree health care. Beginning in the middle of the last decade, Coast was among the founding members of the Community College League of California (CCLC) Joint Powers Authority for retiree health care funding; a Governmental Accounting Standards Board (GASB) qualified irrevocable trust. More recently, the District opted to divide assets between the CCLC JPA and the Keenan-Futuris Benefit Trust.

Consistent with the guidelines under the GASB Statements 74 & 75, Coast engages the services of an actuary to measure this liability every year. The 2020 study measured this liability at \$107 million. This reflects an increase of \$4 million from the 2019 study. While the term Annual Required Contribution (ARC) is no longer operative, we budget what is referred to as the Actuarially Determined Contribution (ADC) and the normal cost to meet health care obligations

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2020

for retirees and current employees. That amount, budgeted on a three-year rolling average is \$8.9 million. The Fiduciary Net Position of this trust on June 30, 2020, was \$83.7 million. This leaves a Net OPEB Liability (NOL) of \$23.2 million.

Capital Planning

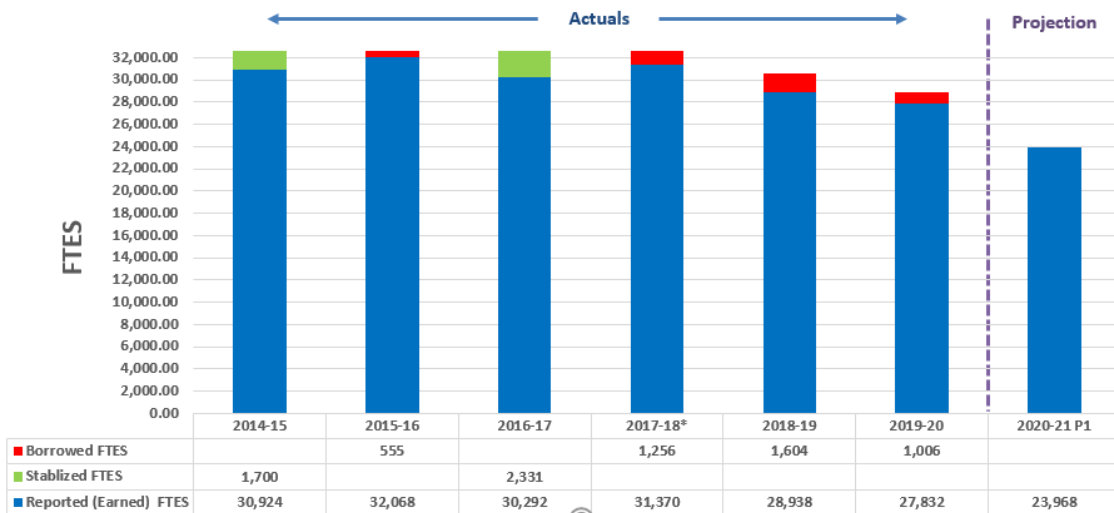
With respect to our Measure M local GO Bond program, we executed the sixth and final issuance (Series 2019F) of \$168 million late in the calendar year 2019. Along with this new-money issuance, we also executed a Refunding action of the Series 2013A that reduced taxpayer obligations by approximately \$10 million.

In November of 2016, California voters passed Proposition 51, the first statewide education bond approved since 2006. In the 2017-18 Fiscal Year, Orange Coast College’s Language and Social Science Building Project successfully competed with project submissions across the state, affording the Coast Community College District \$31 million for the design and construction of this project. Subsequently, in 2018-2019, the District was successful in being awarded \$20 million in State resources toward the Golden West College Language Arts Complex. The Enacted 2019-20 FY State Budget included continuing funding for these two capital projects.

Enrollment Highlights

Enrollments have continued to soften and will be closely monitored by staff. As Coast is under a Hold Harmless provision for the 2020-21 FY, revenues are bifurcated from enrollments. Therefore, Coasts Total Computational Revenue (TCR) for the 2020-21 FY will mirror that of the 2019-20 FY.

Annual Enrollment
Full-Time Equivalent Students (FTES)



COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2020

Statement of Net Position update

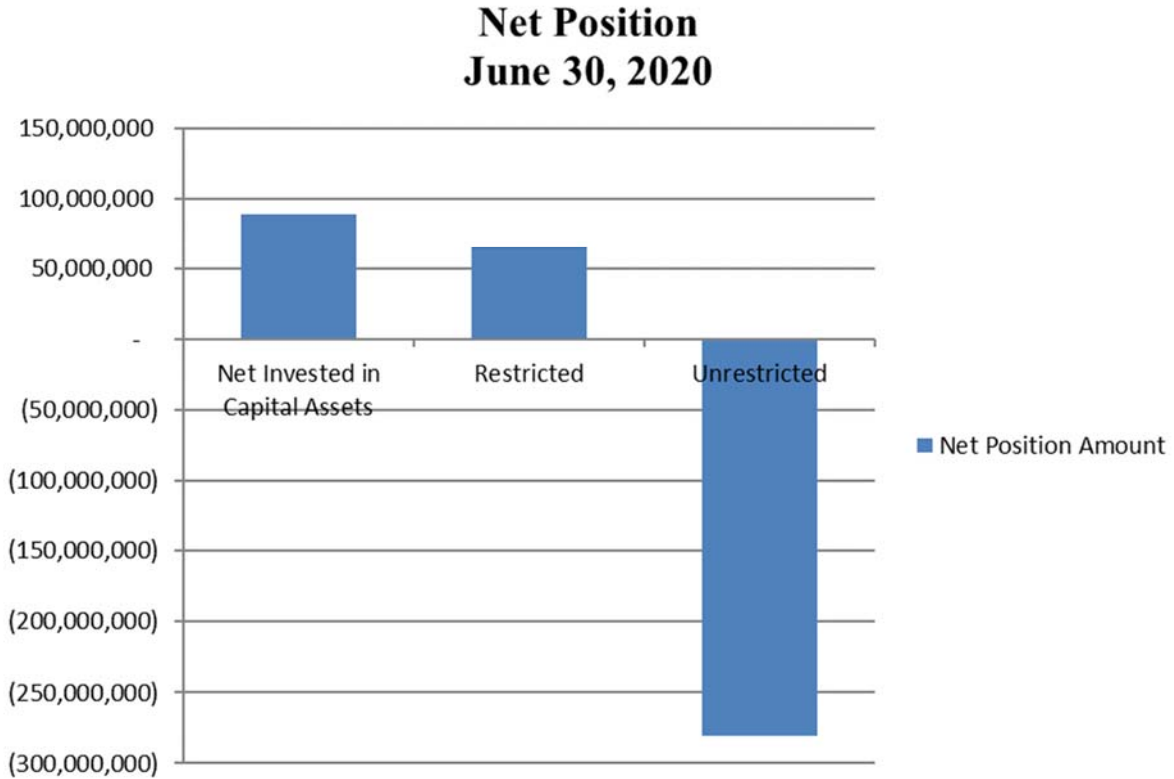
The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net position, the difference between total assets and deferred outflows of resources, and total liabilities and deferred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

| | (in thousands) | | |
|---|---------------------|--------------------|---------------|
| | <u>2020</u> | <u>2019</u> | <u>Change</u> |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 99,261 | \$ 112,360 | -12% |
| Investments | 71,871 | 65,444 | 10% |
| Account receivables | 34,340 | 20,472 | 68% |
| Notes receivable - current portion | 750 | 750 | 0% |
| Inventories | 58 | 68 | -15% |
| Prepaid expenses | 1,484 | 2,000 | -26% |
| Total current assets | <u>207,764</u> | <u>201,094</u> | 3% |
| Non-current assets | | | |
| Restricted cash and cash equivalents | 252,081 | 214,913 | 17% |
| Restricted student loans receivable, net | 2,502 | 2,550 | -2% |
| Notes receivable | 9,938 | 10,688 | -7% |
| Capital assets, net of depreciation | 785,075 | 662,163 | 19% |
| Total non-current assets | <u>1,049,596</u> | <u>890,314</u> | 18% |
| TOTAL ASSETS | <u>1,257,360</u> | <u>1,091,408</u> | 15% |
| DEFERRED OUTFLOW OF RESOURCES | | | |
| Deferred charge on refunding | 23,335 | 22,598 | 3% |
| Deferred outflows - OPEB | 5,207 | 5,151 | 1% |
| Deferred outflows - pension | 72,282 | 82,713 | -13% |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>100,824</u> | <u>110,462</u> | -9% |
| LIABILITIES | | | |
| Current liabilities | 130,309 | 118,708 | 10% |
| Non-current liabilities | 1,332,549 | 1,145,844 | 16% |
| TOTAL LIABILITIES | <u>1,462,858</u> | <u>1,264,552</u> | 16% |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows - OPEB | 6,451 | 7,652 | -16% |
| Deferred inflows - pension | 14,886 | 11,693 | 27% |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>21,337</u> | <u>19,345</u> | 10% |
| NET POSITION | | | |
| Net investment in capital assets | 88,987 | 54,184 | 64% |
| Restricted | 65,228 | 58,682 | 11% |
| Unrestricted | (280,226) | (194,893) | -44% |
| TOTAL NET POSITION | <u>\$ (126,011)</u> | <u>\$ (82,027)</u> | -54% |

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2020

- Cash and cash equivalents (unrestricted and restricted) consist mainly of cash held in the county treasury (\$327 million) and ancillary funds maintained at local banks. Cash increased from the prior year due primarily to the net decreased in apportionments revenue and increased in spending, increased in cash from bond issuance, and payments of debt obligations and payments of expenditures incurred for Measure M construction projects. On June 30, 2020, the general fund and the building fund had a cash balance of approximately \$50.3 million and \$184.5 million, respectively.
- Investments increased primarily due to the interest earnings from the General Obligation Series E endowment funds.
- The increase in accounts receivable stemmed from the increase in student receivables; receivables from grants and categorical, mainly from the CARES Act for the Higher Education Emergency Relief Fund (HEERF), and from state apportionment.
- 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 disclosure regarding obligation bonds, other postemployment benefits, and pensions for more details.
- The total liability for Post-Employment Healthcare Benefits (OPEB) was \$ 106,916,835 as of June 30, 2020. This represents an increase of \$3.4 million from prior year due to changes in inflation rates, salary increases, investment rate of return, and health care trend rate.
- Current liabilities showed an increase of 10%. The major changes included the increase in accounts payable for construction projects and restricted grants and categorical programs unearned revenue.
- Non-current liabilities showed an increase of 16%. The major changes included the increase in pension liability for both CalSTRS and CalPERS and new bond issuance. The pension liability was \$276.8 million as of June 30, 2020. This is shown as an increase of \$9.2 million from prior year because of changes in discount rates, investment rate of return, mortality rates, etc.
- Net position showed a decrease of 54% from the prior year. The main reason the District showed an approximate \$44 million deficit in the Statement of Revenues, Expenses and Changes in Net Position.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2020



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, 2020

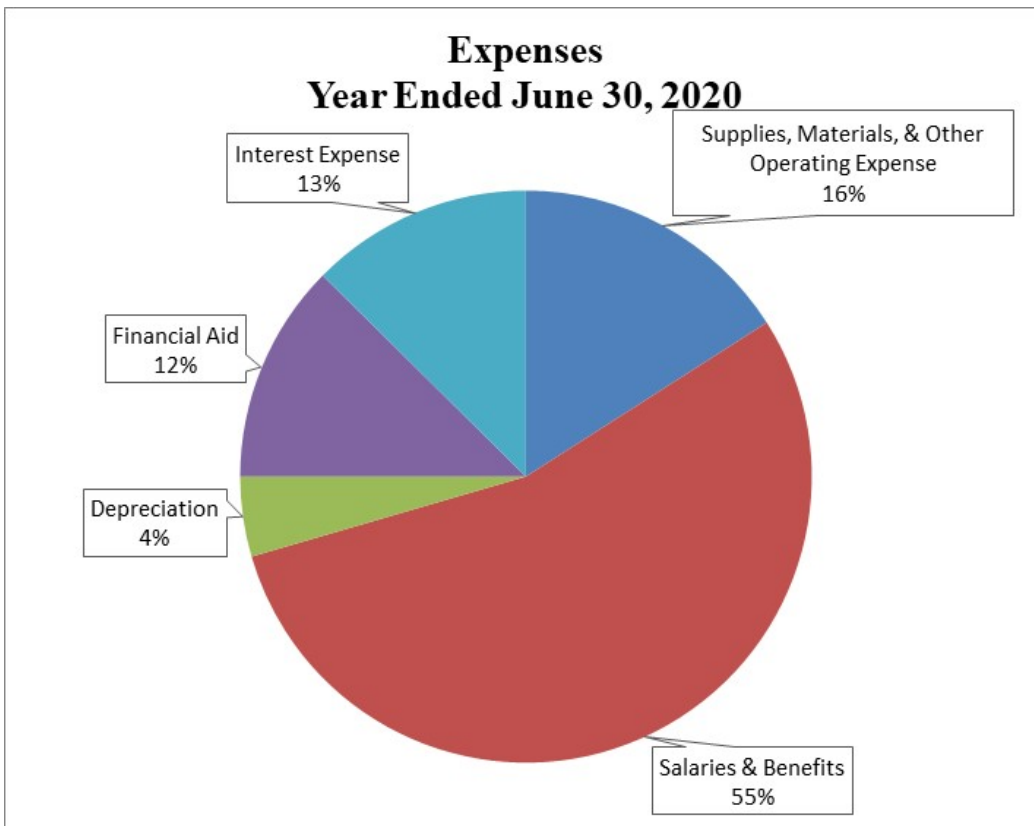
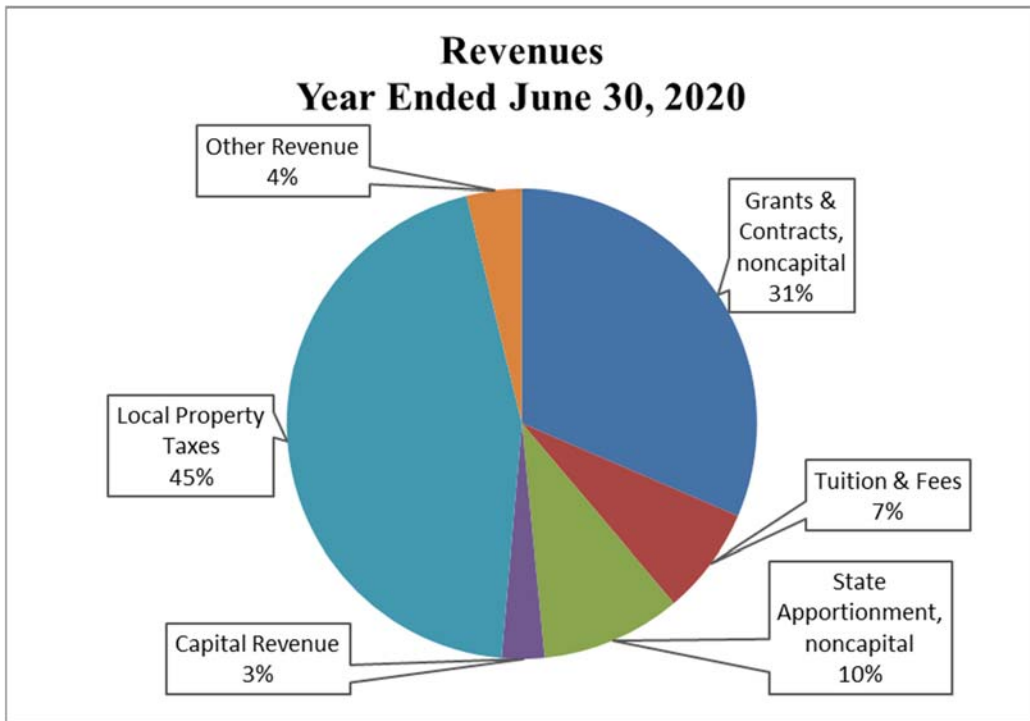
| | (in thousands) | | |
|---|---------------------|--------------------|---------------|
| | <u>2020</u> | <u>2019*</u> | <u>Change</u> |
| Operating Revenues | | | |
| Net tuition and fees | \$ 32,737 | \$ 37,195 | -12% |
| Grants and contracts, non-capital | 100,641 | 84,001 | 20% |
| Auxiliary sales and charges | <u>2,117</u> | <u>3,167</u> | -33% |
| Total operating revenues | <u>135,495</u> | <u>124,363</u> | 9% |
| Operating Expenses | | | |
| Salaries and benefits | 266,690 | 257,664 | 4% |
| Supplies, materials and other operating expenses and services | 74,047 | 53,204 | 39% |
| Financial aid | 60,648 | 53,365 | 14% |
| Utilities | 3,809 | 3,763 | 1% |
| Depreciation | <u>22,111</u> | <u>21,290</u> | 4% |
| Total operating expenses | <u>427,305</u> | <u>389,286</u> | 10% |
| Operating loss | <u>(291,810)</u> | <u>(264,923)</u> | 10% |
| Non-operating revenues (expenses) | | | |
| State apportionments, non-capital | 42,922 | 45,169 | -5% |
| Local property taxes | 142,600 | 136,564 | 4% |
| Federal grants and contracts, non-capital | 39,358 | 37,277 | 6% |
| State taxes and other revenues | 9,043 | 9,183 | -2% |
| Investment income, non-capital | 5,692 | 2,043 | 179% |
| Loss on disposal of capital assets | (156) | (2,515) | -94% |
| Interest expense | <u>(61,579)</u> | <u>(28,071)</u> | 119% |
| Total non-operating revenues (expenses) | <u>177,880</u> | <u>199,650</u> | -11% |
| Other revenues, expenses, gains or losses | | | |
| State apportionments, capital | 176 | 575 | -69% |
| Local property taxes, capital | 56,932 | 45,664 | 25% |
| Investment income, capital | <u>12,838</u> | <u>12,779</u> | 0% |
| Total other revenues, expenses, gains or losses | <u>69,946</u> | <u>59,018</u> | 19% |
| Change in net position | (43,984) | (6,255) | -603% |
| Net position, beginning of year | <u>(82,027)</u> | <u>(75,772)</u> | -8% |
| Net position, end of year | <u>\$ (126,011)</u> | <u>\$ (82,027)</u> | -54% |

* Prior year balances were reclassified to conform with current year's classification for operating non-operating revenues

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2020

- Net tuition and fees consist of enrollment fees and other fees of \$52.2 less scholarships, discounts and allowances of \$19.4 million. Regular enrollment fees of \$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 (\$55.2 million), state grants (\$58.4 million), and local contracts (\$26.3 million). The District received more federal funding from providing financial assistance to students and from the CARES Act - HEERF. The increase in state revenue included Strong Workforce Programs and Student Equity and Achievement Program.
- Salaries and benefits expenses increased by \$9.0 million or 4% 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.
- Depreciation expenses increased due to completion of various construction projects.
- Robust property tax receipt, along with the EPA funding, has resulted in an increased total computational apportionment revenue based on the new SCFF calculation.
- Interest expense increased due to accreted interest and other interest costs related to the new bond issuance.
- 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, 2020



COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2020

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>2020</u> | <u>2019</u> | <u>Change</u> |
| Cash Provided By (Used in) | | | |
| Operating activities | \$ (244,040) | \$ (197,866) | -23% |
| Noncapital financing activities | 235,749 | 190,885 | 24% |
| Capital and related financing activities | 26,668 | (96,863) | 128% |
| Investing activities | <u>5,692</u> | <u>(3,243)</u> | 276% |
| Net change in cash and cash equivalents | 24,069 | (107,087) | 122% |
| | | | |
| Cash balance, beginning of year | 327,273 | 434,360 | -25% |
| Cash balance, end of year | <u>\$ 351,342</u> | <u>\$ 327,273</u> | 7% |

- 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 increased from prior year as a result of cash received from property taxes and proceeds from the issuance of debt.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2020

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, 2020, the District had over \$785 million invested in net capital assets. Total capital assets of \$1 billion consist of land, buildings and building improvements, vehicles, data processing equipment and other office equipment; these assets have accumulated depreciation of \$359 million. New additions for construction and equipment of \$145.1 million occurred during 2019-20, and depreciation expense of \$22.1 million was recorded for the fiscal year. Construction in progress of \$4.6 million was completed and placed into service as buildings and site improvements. Note 6 to the financial statements provides additional information on capital assets. A summary of capital assets net of depreciation is presented below.

| | Balance <u>June 30, 2020</u> |
|------------------------------------|---------------------------------|
| Land | \$ 24,141,969 |
| Buildings and site improvements | 769,449,606 |
| Equipment | 53,036,109 |
| Construction in progress | <u>297,501,584</u> |
| Totals at historical cost | <u>1,144,129,268</u> |
| Less accumulated depreciation for: | |
| Buildings and site improvements | (317,234,677) |
| Equipment | <u>(41,819,331)</u> |
| Total accumulated depreciation | <u>(359,054,008)</u> |
| Governmental capital assets, net | <u><u>\$ 785,075,260</u></u> |

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2020

Debt

On June 30, 2020, the District had \$997.8 million in debt for the General Obligation bonds. The payments for general obligation bond debt are funded through property tax assessments. Note 9 the financial statements provide additional information on long-term liabilities.

Significant Future Events

FY 2020-21 Budget

On June 22, 2020, Governor Gavin Newsom and legislative leaders announced a budget agreement. The compromise reached by the Legislature and the Governor rejects the May Revision proposal to reduce apportionment funding in the Student Centered Funding Formula (SCFF) and instead imposes funding deferrals totaling \$1.45 billion.

Consistent with overall Proposition 98 estimates, Proposition 98 funding for the California Community College System declines from \$8.4 billion to \$7.6 billion (approximately 9%) in 2020-21, primarily due to a significant drop in State General Fund revenues stemming from the cash deferrals.

To address the cash-flow challenges, the Board took action on June 17, 2020, allowing the Coast District to join the pooled Tax and Revenue Anticipation Note (TRAN) program administered by the Community College League of California (CCLC), to borrow a not-to-exceed maximum of \$30 million.

Recent estimates point to a borrowing need of approximately \$23 million.

2020 Bond Refunding

Acting on the opportunity presented by historic low-interest rates, the District took steps to refund certain maturities from earlier bond issuances. In October 2020, the Board of Trustees adopted a resolution to restructure certain outstanding bonded indebtedness under both Measure C and M.

Ultimately, more than \$200 million in bonds were refunded resulting in taxpayer savings of approximately \$17 million.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2020

Supplemental Retirement Programs

On September 2, 2020, the Board of Trustees adopted Resolution 20-51, opening a second Supplemental Retirement Program (SRP-2) window. SRP-2 focused on classified Professionals and provided an incentive of 65% of annual salary. The exit date was either December 2020 or January 2021. The impetus behind this incentive is two-fold; first, Coast needs to address on-going budgetary concerns with additional definitive steps toward constraining spending, and second, as the first SRP did not achieve a targeted two to one relationship between non-instructional staff and faculty, an imbalance in the 50% Law is expected to emerge which this incentive was designed to address.

The enrollment window for SRP-2 closed in October 2020, and subsequent analysis that of 22 total enrollees, 5 were outside the Unrestricted General Fund, and of the 17 positions within the UGF, 7 would require replacement. Not only did this not meet our fiscal objectives, when all costs were considered, year 1 would have resulted in a net cost to the District. As such, the recommendation to the Board of Trustees was to reject SRP-2; a recommendation taken by the Board on November 18, 2020.

State Fiscal Outlook

Each Fall the Legislative Analyst's Office (LAO) releases a Fiscal Outlook addressing the fiscal health of the State. Although the economic consequences of the COVID-19 health crisis were severe, the fiscal fallout was not as catastrophic as many projected in early 2020. The LAO notes that the state may realize a one-time windfall of approximately \$26 billion. The System office has suggested the community college share under Proposition 98 may be sufficient to retire the budget deferrals. The deferrals are discussed at greater length elsewhere in this report.

It is important to note that the LAOs' report points to structural imbalances over the next three years under which revenue is projected to grow at an average annual rate of less than 1%, while expenditures under current law and policy are projected to grow at an average annual rate of 4.4%.

This disparity produces an anticipated operating deficit that will grow to nearly \$17 billion by 2024–25.

Federal Relief

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, was a \$2.2 trillion economic stimulus bill signed into law in March 2020 in response to the economic fallout of the COVID-19 pandemic in the United States.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2020

The Health and Economic Recovery Omnibus Emergency Solutions Act or Heroes Act (H.R. 6800) is proposed legislation acting as a \$3 trillion stimulus package in response to the COVID-19 pandemic and is intended to supplement the earlier CARES Act stimulus package.

The HEROES Act was never signed into law.

In December 2020, the Coronavirus Response and Relief Supplemental Appropriations Act (Act) was approved in Congress and later signed into law by the president. This \$900 billion measure, while smaller than the CARES Act, actually provides a greater level of resource to education. The Act proposes nearly \$1.3 billion in resources for the California Community Colleges.

While we don't yet have a complete picture of all the spending parameters associated with this Act, preliminarily, it does appear that the spending parameters will be less stringent than was the case with the CARES Act and that we will be able to utilize these resources to backfill lost revenues.

Governor's FY 21-22 Budget Proposal

On January 8, 2021, Governor Newsom released his budget proposal for the fiscal year beginning July 1, 2021. The budgetary outlook has improved markedly since the 2020 budget act despite the dramatic increase in COVID cases. However, the recovery has been highly unequal with the well-to-do benefiting from a strong stock market and relatively low unemployment rates in professional fields. California's reliance on the highest income earners for much of its operating budget explains, in part, the strength of this year's budget proposal. However, looking out a few years, and as was noted in the Fiscal Outlook report from the Legislative Analyst's Office (LAO) last fall, California faces persistent structural deficits.

FY 21-22 Budget Proposal highlights follow:

- Deferrals have been reduced by approximately 2/3, going from \$1.45 billion down to roughly \$326 million. The plan of deferrals prevented immediate budget cuts to Community College apportionments. This reduction in deferrals will help with the District's cash flow.
- A Cost of Living Adjustment (COLA) of 1.5% is proposed (\$111.1 million statewide). Interestingly, on the K-12 side of the house, the Governor proposes a 3.84% COLA.
- Although historically a COLA has merely served as a means to mitigate the effects of inflation, the governor proposes to condition receipt of this year's COLA on achieving certain performance metrics.
- Growth is proposed at 0.5% (\$23.1 million statewide). System growth has been highly volatile with some districts experiencing significant declines and others growing.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2020

Hold Harmless

For FY 2020-21, Coast is funded under the FY 2019-20 Hold Harmless. This is a two-year provision under which Coast’s Total Computational Revenue (TCR) for FY 2020-21 is at the same level as prior year.

Projections indicate that at the conclusion of FY 2020-21, Coast will revert back to the 2017-18 Hold Harmless provision. The 2017-18 Hold Harmless runs through FY 2023-24. TCR is expected to decline approximately \$5.6 million with the transition from FY 2019-20 Hold Harmless to the FY 2017-18 Hold Harmless.

Under both Hold Harmless mechanisms, TCR is independent of enrollment.

Pension Relief

Employer pension matching requirements represent one of the more significant costs of employment borne by the District. In the FY 2020/21 State Budget, the Governor repurposed funds the state intended to use to reduce California State Teachers’ Retirement System (CalSTRS) and California Public Employees’ Retirement System pension contributions rates over time, and instead provided two successive years of relief for K–12 and community college employers in FY 2020-21 and 2021-22.

Looking to FY 2022-23 when this relief expires, the District could again experience significant cost increases with respect to pension match requirements.

Enrollment Metrics – 2020-21 FY and Beyond

Enrollments have continued to soften and will be closely monitored by staff. As noted above, Coast will under one of two Hold Harmless provisions through the end of FY 2023-24, and under these provisions, revenue is independent of enrollment. However, it will be important to track enrollment very closely as, under current law, the District could face a “fiscal cliff” at the conclusion of FY 2023-24 when Hold Harmless sunsets.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2020

Looking Ahead

Coast has deficit-spent for several successive years. Fund balance has declined in each of those years. Most recently, Ending Fund Balance (EFB) for the year ending June 30, 2020, was 10.8%. Current estimates suggest EFB at June 30, 2021, will fall to 8.03%, below the Boards' policy level.

While the COVID pandemic has certainly exacerbated fiscal challenges, enrollment has been declining for several successive years.

The most recent cost containment measures are reflected in retirement incentives and a hiring freeze, which is scheduled to run through June 2021. Further, labor negotiations have resulted in a deferral of step/column cost for one year. As noted elsewhere in this report, SRP-1 attracted more than 120 enrollees and estimates suggest, net of all cost, annual savings of approximately \$3 million will accrue. SRP-2, on the other hand, was abandoned for a lack of sufficient enrollment.

Although the Hold Harmless mechanisms described above are effectively separating our primary source of operating revenue from enrollment, this does not negate the need to right-size the district.

Staff anticipates receiving controlling documents soon after the outset of the new calendar year.

- The Final Apportionment Recalculation for FY 2019-20 should be received by February 2021.
- The First Principal Apportionment Report for FY 2020-21 should be received in February 2021.

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@ccd.edu.

COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
June 30, 2020

ASSETS

Current assets:

| | |
|---|------------------|
| Cash and cash equivalents | \$ 99,260,756 |
| Investments | 71,871,373 |
| Receivables | 34,340,151 |
| Inventory | 57,516 |
| Notes receivable - current portion | 750,000 |
| Prepaid expenses and other current assets | <u>1,484,748</u> |

Total current assets 207,764,544

Noncurrent assets:

| | |
|--|--------------------|
| Restricted cash and cash equivalents | 252,081,241 |
| Restricted student loans receivable, net | 2,501,860 |
| Notes receivable - noncurrent | 9,937,500 |
| Non-depreciable capital assets | 321,643,553 |
| Depreciable capital assets, net | <u>463,431,707</u> |

Total noncurrent assets 1,049,595,861

Total assets 1,257,360,405

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--|-------------------|
| Deferred outflows of resources - debt refundings | 23,334,785 |
| Deferred outflows of resources - OPEB | 5,207,110 |
| Deferred outflows of resources - pensions | <u>72,282,120</u> |

Total deferred outflows of resources 100,824,015

Total assets and deferred outflows of resources \$ 1,358,184,420

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
June 30, 2020

LIABILITIES

Current liabilities:

| | |
|---|--------------------|
| Accounts payable | \$ 26,001,056 |
| Accrued liabilities | 23,282,457 |
| Interest payable | 14,127,459 |
| Unearned revenue | 34,490,726 |
| Due to fiduciary funds | 550,000 |
| Amounts held in trust | 104,115 |
| Long-term liabilities - current portion | <u>31,753,640</u> |
| Total current liabilities | <u>130,309,453</u> |

Noncurrent liabilities:

| | |
|---|----------------------|
| Compensated absences - noncurrent portion | 6,988,204 |
| Notes payable - noncurrent portion | 2,240,000 |
| Net OPEB liability | 23,237,301 |
| Net pension liability | 276,820,266 |
| General obligation bonds payable - noncurrent portion | 1,014,057,818 |
| Other noncurrent liabilities | <u>9,204,882</u> |
| Total noncurrent liabilities | <u>1,332,548,471</u> |
| Total liabilities | <u>1,462,857,924</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|--|-------------------|
| Deferred inflows of resources - OPEB | 6,450,866 |
| Deferred inflows of resources - pensions | <u>14,886,361</u> |
| Total deferred inflows of resources | <u>21,337,227</u> |

NET POSITION

| | |
|--|-------------------------|
| Net investment in capital assets | 88,987,445 |
| Restricted for: | |
| Capital projects | 18,505,611 |
| Debt service | 46,470,095 |
| Scholarships and loans | 252,782 |
| Unrestricted | <u>(280,226,664)</u> |
| Total net position | <u>(126,010,731)</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 1,358,184,420</u> |

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE
IN NET POSITION
For the Year Ended June 30, 2020

| | |
|--|-------------------------|
| Operating revenues: | |
| Tuition and fees | \$ 52,186,814 |
| Less: scholarship discounts and allowances | <u>(19,449,865)</u> |
| Net tuition and fees | <u>32,736,949</u> |
| Grants and contracts, non-capital: | |
| Federal | 15,878,860 |
| State | 58,419,457 |
| Local | 26,342,957 |
| Sales, net of purchases | <u>2,116,868</u> |
| Total operating revenues | <u>135,495,091</u> |
| Operating expenses: | |
| Salaries | 178,480,817 |
| Employee benefits | 88,208,122 |
| Supplies, materials, and other operating expenses | 77,856,826 |
| Financial aid | 60,647,681 |
| Depreciation | <u>22,111,066</u> |
| Total operating expenses | <u>427,304,512</u> |
| Loss from operations | <u>(291,809,421)</u> |
| Non-operating revenues (expenses): | |
| State apportionments, non-capital | 42,921,531 |
| Local property taxes, levied for general purposes | 142,600,439 |
| Federal grants and contracts, non-capital | 39,357,703 |
| State taxes and other revenue | 9,043,049 |
| Interest and other investment income, non-capital | 5,692,325 |
| Loss on disposal of asset | (156,656) |
| Interest expense on capital asset-related debt | <u>(61,578,917)</u> |
| Total non-operating revenues | <u>177,879,474</u> |
| Loss before capital contributions | <u>(113,929,947)</u> |
| Capital contributions: | |
| Local property taxes, levied for specific purposes | 56,931,750 |
| State apportionments, capital | 176,542 |
| Interest and investment income, capital | <u>12,838,184</u> |
| Total capital contributions | <u>69,946,476</u> |
| Change in net position | (43,983,471) |
| Net position, beginning of year | <u>(82,027,260)</u> |
| Net position, end of year | <u>\$ (126,010,731)</u> |

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

| | |
|---|-----------------------|
| Cash flows from operating activities | |
| Tuition and fees | \$ 32,785,169 |
| Federal grants and contracts | 15,878,860 |
| State grants and contracts | 58,419,457 |
| Local grants and contracts | 26,342,957 |
| Sales | 2,116,868 |
| Payment to suppliers | (83,363,948) |
| Payments to/on- behalf of employees | (236,356,301) |
| Payments to/on- behalf of students | (60,737,819) |
| Other (payments) receipts | 874,454 |
| Net cash used in operating activities | <u>(244,040,303)</u> |
| Cash flows from non-capital financing activities | |
| State apportionments and receipts | 42,921,531 |
| Property taxes | 142,600,439 |
| State taxes and other revenue | 9,043,049 |
| Federal grants and contracts | 39,357,703 |
| Principal collections on notes receivable | 750,000 |
| Other non-operating revenues | 1,075,885 |
| Net cash provided by non-capital financing activities | <u>235,748,607</u> |
| Cash flows from capital and related financing activities | |
| State apportionments for capital purposes | 176,542 |
| Net purchase of capital assets | (145,093,013) |
| Interest on investments, capital funds | 12,838,184 |
| Property taxes levied for specific purposes | 56,931,750 |
| Net sale (purchases) of investments | (6,427,494) |
| Proceeds from the issuance of debt | 177,362,885 |
| Principal paid on long-term debt | (30,795,000) |
| Interest paid on long-term debt | (38,326,023) |
| Net cash provided by capital and financing activities | <u>26,667,831</u> |
| Cash flows from investing activities | |
| Interest on investments | <u>5,692,326</u> |
| Net cash provided by investing activities | <u>5,692,326</u> |
| Net change in cash and cash equivalents | 24,068,461 |
| Cash balance, beginning of year | <u>327,273,536</u> |
| Cash balance, end of year | <u>\$ 351,341,997</u> |

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

| | |
|---|------------------------------------|
| Reconciliation of loss from operations to net cash used in operating activities: | |
| Loss from operations | \$ (291,809,421) |
| Adjustments to reconcile loss from operations to net cash used in operating activities: | |
| Depreciation expense | 22,111,066 |
| Changes in assets and liabilities: | |
| Receivables, net | (14,144,287) |
| Inventory | 10,471 |
| Due from fiduciary funds | 324,454 |
| Prepaid expenses and other current assets | 514,902 |
| Deferred outflows of resources - OPEB and Pensions | 10,374,747 |
| Accounts payable | (1,937,792) |
| Accrued liabilities and other liabilities | 9,909,389 |
| Net pension liability | 9,157,433 |
| Unearned revenue | 1,520,371 |
| Due to fiduciary fund | 550,000 |
| Compensated absences | 669,024 |
| Amounts held in trust for others | (83,147) |
| Net OPEB liability, PARS and MPP liability | 6,799,946 |
| Deferred inflows of resources - OPEB and Pensions | <u>1,992,541</u> |
| Total adjustments | <u>47,769,118</u> |
| Net cash provided (used) by operating activities | <u><u>\$ (244,040,303)</u></u> |
| Supplementary disclosure of non-cash transactions: | |
| Amortization of premium on debt | \$ 8,290,747 |
| Accretion of interest | \$ 14,848,895 |
| Amortization of deferred (gain) loss on refunding | \$ 2,012,843 |
| Refunding of debt directly through issuance of new debt | \$ 134,530,000 |

See accompanying notes to the basic financial statements.

COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2020

| | <u>Trust Funds</u> | | <u>Agency Fund</u> |
|--|--------------------------------|--|------------------------|
| | Retiree (OPEB) <u>Trust</u> | Associated Student <u>Body Funds</u> | <u>Ancillary Funds</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ 11,526,868 | \$ 7,971,417 |
| Receivables | - | 1,738,647 | 1,130,854 |
| Investments: | | | |
| Master trust | 43,256,866 | - | - |
| Mutual fund - Fixed income | 22,354,847 | - | - |
| Mutual fund - Domestic equity | 12,446,036 | - | - |
| Mutual fund - International equity | 3,214,533 | - | - |
| Mutual fund - Real estate | 2,417,252 | - | - |
| Inventory | - | - | 141,003 |
| Other current assets | - | 105,000 | 20,000 |
| | <u>83,689,534</u> | <u>13,370,515</u> | <u>9,263,274</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources - pensions | - | 803,591 | - |
| | <u>\$ 83,689,534</u> | <u>\$ 14,174,106</u> | <u>\$ 9,263,274</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ - | \$ 737,640 | \$ 620,525 |
| Due to others | - | 5,762,413 | 8,642,749 |
| | <u>-</u> | <u>6,500,053</u> | <u>9,263,274</u> |
| Noncurrent liabilities: | | | |
| Net pension liability | - | 2,865,734 | - |
| | <u>-</u> | <u>9,365,787</u> | <u>9,263,274</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources - pensions | - | 43,639 | - |
| NET POSITION | | | |
| Restricted for OPEB benefits | 83,869,534 | - | - |
| Unrestricted | - | 4,764,680 | - |
| | <u>83,869,534</u> | <u>4,764,680</u> | <u>-</u> |
| Total net position | <u>83,869,534</u> | <u>4,764,680</u> | <u>-</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 83,869,534</u> | <u>\$ 14,174,106</u> | <u>\$ 9,263,274</u> |

See accompanying notes to the basic financial statements.

COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
June 30, 2020

| | Retiree (OPEB) <u>Trust</u> | Associated Student <u>Body Funds</u> |
|---|--------------------------------|--|
| Additions: | | |
| Sales, net of purchases | \$ - | \$ 826,040 |
| Interest and investment income | 3,728,146 | 52,494 |
| Employer contributions | 6,588,869 | - |
| Student representation fee | - | 1,667,764 |
| Other local revenues | - | 355,798 |
| | <u>10,317,015</u> | <u>2,902,096</u> |
| Deductions: | | |
| Classified salaries | - | 683,681 |
| Employee benefits | - | 504,912 |
| Employer retiree benefits | 6,588,869 | - |
| Administrative expenses | 226,595 | - |
| Services and other operating expenses | - | 2,133,749 |
| Capital outlay | - | 42,310 |
| | <u>6,815,464</u> | <u>3,364,652</u> |
| Net (decrease) increase in net position | 3,501,551 | (462,556) |
| Net position: | | |
| Net position, beginning of year | <u>80,187,983</u> | <u>5,227,236</u> |
| Net position, end of year | <u>\$ 83,689,534</u> | <u>\$ 4,764,680</u> |

See accompanying notes to the basic financial statements.

COAST COMMUNITY COLLEGE DISTRICT
STATEMENTS OF FINANCIAL POSITION
DISCRETELY PRESENTED COMPONENT UNITS
COAST COMMUNITY COLLEGE DISTRICT, COASTLINE COMMUNITY COLLEGE,
GOLDEN WEST COLLEGE, AND ORANGE COAST COLLEGE FOUNDATIONS
For the Year Ended June 30, 2020

| | Coast Community College District Foundation | Coastline Community College Foundation | Golden West College Foundation | Orange Coast College Foundation |
|---|--|---|--------------------------------------|---------------------------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 324,824 | \$ 828,925 | \$ 1,453,166 | \$ 366,457 |
| Accounts receivable | 95 | 8,034 | - | 5,425 |
| Pledges receivable | - | 3,335 | - | 100,000 |
| Due from Coast Community College District | - | - | - | 172,254 |
| Due from Coast CCD Enterprise, Inc. | 12,500 | - | - | - |
| Prepaid expenses | - | - | 30,000 | 25,000 |
| Total current assets | <u>337,419</u> | <u>840,294</u> | <u>1,483,166</u> | <u>669,136</u> |
| Non-current assets: | | | | |
| Pledges receivable, net of discount | - | - | - | 94,671 |
| Receivable for split-interest agreement | - | 7,209 | - | 567,722 |
| Operating investments, at fair value | - | 303,203 | 572,858 | 905,388 |
| Investments, at fair value | 121,119 | 1,902,509 | 7,766,080 | 22,203,498 |
| Investments held with FCCC | - | 317,690 | 223,745 | 22,356 |
| Assets held for sale | - | - | - | 35,100 |
| Property and equipment, net | - | - | - | 7,991,166 |
| Total non-current assets | <u>121,119</u> | <u>2,530,611</u> | <u>8,562,683</u> | <u>31,819,901</u> |
| Total assets | <u>\$ 458,538</u> | <u>\$ 3,370,905</u> | <u>\$ 10,045,849</u> | <u>\$ 32,489,037</u> |
| LIABILITIES AND NET ASSETS | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 6,450 | \$ 30,212 | \$ 1,850 | \$ 66,688 |
| Designated scholarships | - | - | 78,111 | 321,599 |
| Unearned revenue | - | 838 | - | - |
| Due to Coast Community College District | 3,502 | - | 3,120 | - |
| Due to CCD Enterprise | 3,198 | - | - | - |
| Total current liabilities | <u>13,150</u> | <u>31,050</u> | <u>83,081</u> | <u>388,287</u> |
| Non-current liabilities: | | | | |
| Split-interest agreement | 19,143 | - | - | - |
| Total liabilities | <u>\$ 32,293</u> | <u>\$ 31,050</u> | <u>\$ 83,081</u> | <u>\$ 388,287</u> |
| Net assets: | | | | |
| Net assets without donor restrictions | 389,557 | 437,950 | 652,438 | 843,216 |
| Net assets with donor restrictions | 36,688 | 2,901,905 | 9,310,330 | 31,257,534 |
| Total net assets | <u>426,245</u> | <u>3,339,855</u> | <u>9,962,768</u> | <u>32,100,750</u> |
| Total liabilities and net assets | <u>\$ 458,538</u> | <u>\$ 3,370,905</u> | <u>\$ 10,045,849</u> | <u>\$ 32,489,037</u> |

See accompanying notes to the basic financial statements.

COAST COMMUNITY COLLEGE DISTRICT
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT
COAST COMMUNITY COLLEGE DISTRICT ENTERPRISE CORPORATION
June 30, 2020

ASSETS

Current assets:

| | |
|---------------------------|--------------|
| Cash and cash equivalents | \$ 877,247 |
| Prepaid taxes | <u>3,222</u> |

| | |
|----------------------|----------------|
| Total current assets | <u>880,469</u> |
|----------------------|----------------|

Noncurrent assets:

| | |
|--------------------------|------------------|
| Deposits with District | 40,000 |
| Equipment | 537,813 |
| Accumulated depreciation | <u>(458,736)</u> |

| | |
|--------------------------|----------------|
| Total non-current assets | <u>119,077</u> |
|--------------------------|----------------|

| | |
|--------------|--------------------------|
| Total assets | <u><u>\$ 999,546</u></u> |
|--------------|--------------------------|

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

| | |
|------------------|----------------|
| Accounts payable | \$ 665,812 |
| Unearned revenue | <u>203,160</u> |

| | |
|---------------------------|----------------|
| Total current liabilities | <u>868,972</u> |
|---------------------------|----------------|

Stockholders' equity

| | |
|--|----------------|
| Common stock (1\$ par value, 100,000 authorized, 158 shares issued and outstanding) | 158 |
| Retained earnings | <u>130,416</u> |

| | |
|----------------------------|----------------|
| Total stockholders' equity | <u>130,574</u> |
|----------------------------|----------------|

| | |
|--|--------------------------|
| Total liabilities and stockholders' equity | <u><u>\$ 999,546</u></u> |
|--|--------------------------|

See accompanying notes to the basic financial statements.

COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
COAST COMMUNITY COLLEGE DISTRICT FOUNDATION, COASTLINE COMMUNITY COLLEGE FOUNDATION,
GOLDEN WEST COLLEGE FOUNDATION, AND ORANGE COAST COLLEGE FOUNDATION
June 30, 2020

| | Coast Community College District Foundation | Coastline Community College Foundation | Golden West College Foundation | Orange Coast College Foundation |
|--|--|---|--------------------------------------|---------------------------------------|
| Changes in net assets without donor restriction: | | | | |
| Support and revenues: | | | | |
| Support: | | | | |
| Contributions | \$ 511 | \$ 24,273 | \$ - | \$ 125,501 |
| Management fees | - | - | 80,339 | 151,813 |
| Miscellaneous revenue | - | - | - | 83,401 |
| In-kind contributions | - | 659 | - | - |
| Donated services | 24,569 | 399,568 | 403,480 | 689,643 |
| Donated facilities | - | 11,644 | 18,000 | 19,898 |
| Special events | - | 18,888 | 89,474 | - |
| Total support | <u>25,080</u> | <u>455,032</u> | <u>591,293</u> | <u>1,070,256</u> |
| Other income, gains and losses: | | | | |
| Charter fees | - | - | - | 1,098,751 |
| Vending machine commissions | - | - | 2,279 | - |
| Administrative fees, Coast CCD Enterprise, Inc | 63,333 | - | - | - |
| Trademark fees, Coast CCD Enterprise, Inc | 60,000 | - | - | - |
| Investment income, net of expense | 841 | 36,974 | 22,577 | 24,427 |
| Realized loss on investments | - | (12,956) | - | (13,959) |
| Unrealized gain (loss) on investments | - | 4,366 | (6,285) | (4,677) |
| Change in value of Coast CCD Enterprise, Inc. | (268,409) | - | - | - |
| Net assets released from restriction | - | 406,533 | 767,156 | 4,974,166 |
| Total other income, gains, and losses | <u>(144,235)</u> | <u>434,917</u> | <u>785,727</u> | <u>6,078,708</u> |
| Total support and revenues | <u>(119,155)</u> | <u>889,949</u> | <u>1,377,020</u> | <u>7,148,964</u> |
| Operating expenses: | | | | |
| Program services: | | | | |
| Student and college support | 118,728 | 506,731 | 907,418 | 2,667,689 |
| Sailing program | - | - | - | 3,926,017 |
| Supporting services: | | | | |
| Management and general | 23,721 | 193,025 | 200,785 | 554,040 |
| Fundraising | - | 159,366 | 246,897 | 144,825 |
| Total expenses | <u>142,449</u> | <u>859,122</u> | <u>1,355,100</u> | <u>7,292,571</u> |
| Change in net assets without donor restrictio | <u>(261,604)</u> | <u>30,827</u> | <u>21,920</u> | <u>(143,607)</u> |

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
COAST COMMUNITY COLLEGE DISTRICT FOUNDATION, COASTLINE COMMUNITY COLLEGE FOUNDATION,
GOLDEN WEST COLLEGE FOUNDATION, AND ORANGE COAST COLLEGE FOUNDATION
June 30, 2020

| | Coast Community College District Foundation | Coastline Community College Foundation | Golden West College Foundation | Orange Coast College Foundation |
|---|--|---|--------------------------------------|---------------------------------------|
| Changes in net assets with donor restriction: | | | | |
| Support and revenues: | | | | |
| Support: | | | | |
| Contributions | \$ - | \$ 392,701 | \$ 564,921 | \$ 491,136 |
| Fundraising for college programs | - | - | - | 1,091,384 |
| Program related sales | - | - | - | 66,237 |
| Miscellaneous revenue | - | - | - | 109,268 |
| In-kind contributions | - | 8,483 | - | 44,783 |
| Donated vessels | - | - | - | 3,983,785 |
| Special events | - | - | 23,505 | - |
| Total support | <u>-</u> | <u>401,184</u> | <u>588,426</u> | <u>5,786,593</u> |
| Other income, gains and losses: | | | | |
| Gain on sale of donated assets | - | - | - | 74,025 |
| Investment income, net of expense | - | 5,146 | 209,968 | 445,420 |
| Realized loss on investments | - | (54,157) | (26,066) | (253,235) |
| Unrealized gain (loss) on investments | - | - | 30,300 | (117,221) |
| Change in value for split-interest agreements | (8,887) | - | - | 59,336 |
| Change in value, FCCC investments | <u>-</u> | <u>(13,257)</u> | <u>(9,270)</u> | <u>(616)</u> |
| Total other income, gains, and losses | <u>(8,887)</u> | <u>(62,268)</u> | <u>204,932</u> | <u>207,709</u> |
| Total support and revenues | <u>(8,887)</u> | <u>338,916</u> | <u>793,358</u> | <u>5,994,302</u> |
| Net assets released from restriction | <u>-</u> | <u>(406,533)</u> | <u>(767,156)</u> | <u>(4,974,166)</u> |
| Change in net assets with donor restriction | <u>(8,887)</u> | <u>(67,617)</u> | <u>26,202</u> | <u>1,020,136</u> |
| Change in net assets | (270,491) | (36,790) | 48,122 | 876,529 |
| Net assets: | | | | |
| Beginning of year | <u>696,736</u> | <u>3,376,645</u> | <u>9,914,646</u> | <u>31,224,221</u> |
| End of year | <u>\$ 426,245</u> | <u>\$ 3,339,855</u> | <u>\$ 9,962,768</u> | <u>\$ 32,100,750</u> |

See accompanying notes to the basic financial statements.

COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF INCOME AND RETAINED EARNINGS
DISCRETELY PRESENTED COMPONENT UNIT
COAST COMMUNITY COLLEGE DISTRICT ENTERPRISE CORPORATION
For the Year Ended June 30, 2020

| | |
|--------------------------------------|-------------------|
| Operating revenues: | |
| Space rental income | \$ 4,298,627 |
| Total operating revenue | <u>4,298,627</u> |
| Operating expenses: | |
| Salaries | 1,015,510 |
| Employee benefits | 233,392 |
| Supplies | 8,824 |
| Rental | 1,552,195 |
| Other services | 1,899,067 |
| Depreciation | <u>22,160</u> |
| Total operating expenses | <u>4,731,148</u> |
| Net operating loss before income tax | <u>(432,521)</u> |
| Income tax expense | <u>(87,079)</u> |
| Net loss | <u>(519,600)</u> |
| Retained earnings, beginning of year | <u>650,016</u> |
| Retained earnings, end of year | <u>\$ 130,416</u> |

See accompanying notes to the basic financial statements.

COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNITS
COAST COMMUNITY COLLEGE DISTRICT, COASTLINE COLLEGE, GOLDEN WEST
COLLEGE, AND ORANGE COAST COLLEGE FOUNDATIONS
For the Year Ended June 30, 2020

| | Coast Community College District Foundation | Coastline Community College Foundation | Golden West College Foundation | Orange Coast College Foundation |
|--|--|---|--------------------------------------|---------------------------------------|
| Cash flows from operating activities: | | | | |
| Contributions, fundraising, and other income | \$ 416 | \$ 459,219 | \$ 960,784 | \$ 1,768,421 |
| Interest and dividends | 841 | 42,120 | - | 469,847 |
| Other operating activities and charter fees | - | - | - | 1,441,324 |
| Vending Machine Commissions | - | - | 2,279 | - |
| Reimbursements to Coast Community College District on behalf of employees | - | - | (81,587) | - |
| Administrative and Trademark fees, net | 123,333 | - | - | - |
| Payments for College support | - | - | (246,276) | - |
| Payments to/on behalf of employees | - | (1,840) | - | (655,694) |
| Payments to suppliers | (61,829) | (218,929) | (186,052) | (2,605,348) |
| Payments to/on behalf of students for scholarships | (15,000) | (331,330) | (396,125) | (753,729) |
| Net cash provided by (used in) operating activities | <u>47,761</u> | <u>(50,760)</u> | <u>53,023</u> | <u>(335,179)</u> |
| Cash flows from investing activities: | | | | |
| Purchase of investments | - | (1,518,510) | (349,289) | (418,750) |
| Proceeds from sale of investments | - | 1,513,843 | 117,586 | 224,123 |
| Proceeds from sale of boats and equipment | - | - | - | 577,250 |
| Acquisition of boats and equipment | - | - | - | (139,475) |
| Interest and dividends on split interest agreement | 196 | - | - | - |
| Interest and dividends reinvested | (196) | - | - | - |
| Net cash (used) provided by investing activities | <u>-</u> | <u>(4,667)</u> | <u>(231,703)</u> | <u>243,148</u> |
| Net increase (decrease) in cash and cash equivalents | <u>47,761</u> | <u>(55,427)</u> | <u>(178,680)</u> | <u>(92,031)</u> |
| Cash and cash equivalents, beginning of year | <u>277,063</u> | <u>884,352</u> | <u>1,631,846</u> | <u>458,488</u> |
| Cash and cash equivalents, end of year | <u>\$ 324,824</u> | <u>\$ 828,925</u> | <u>\$ 1,453,166</u> | <u>\$ 366,457</u> |
| Reconciliation of change in net assets to cash provided by (used in) operating activities: | | | | |
| Change in net assets | \$ (270,491) | \$ (36,790) | \$ 48,122 | \$ 876,529 |
| Adjustments to reconcile change in net assets to cash (used in) provided by operating activities | | | | |
| Depreciation expense | - | - | - | 2,528,522 |
| Change in value of Coast CCD Enterprise, Inc. | 268,409 | - | - | - |
| Change in value of split-interest agreement | 8,887 | - | - | (59,336) |
| Non-cash contributions and donated vessels received | - | - | - | (4,028,568) |
| (Gain) loss on sale of donated items | - | - | - | (74,025) |
| Change in value, FCCC investments | - | 13,257 | 9,270 | 616 |
| Realized and unrealized loss on investment | - | 62,747 | 2,051 | 389,092 |
| Change in assets - (increase)/decrease: | | | | |
| Prepaid expenses and other assets | - | - | (30,000) | - |
| Accounts receivable | (95) | 21,688 | - | (171,479) |
| Due from Coast Community College District | 24,135 | - | - | - |
| Due from Coast CCD Enterprise, Inc | 6,867 | - | - | - |
| Pledges receivable | - | 831 | - | 151,088 |
| Contribution receivable from split-interest agreement | - | - | - | 59,336 |
| Change in liabilities - increase/(decrease): | | | | |
| Scholarships payable | - | (117,350) | (469) | - |
| Unearned Revenue | - | 838 | - | - |
| Accounts payable | 6,449 | 4,019 | (833) | 40,978 |
| Charter deposits | - | - | - | (1,920) |
| Due to Coast Community College District | 3,198 | - | 24,882 | (46,012) |
| Due to Coast CCD Enterprise, Inc | 402 | - | - | - |
| Net cash provided by (used in) operating activities | <u>\$ 47,761</u> | <u>\$ (50,760)</u> | <u>\$ 53,023</u> | <u>\$ (335,179)</u> |
| Non-cash investment activities include: | | | | |
| Equipment and vessels | | | | <u>\$ 3,983,785</u> |

See accompanying notes to the basic financial statements.

COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS DISCRETELY PRESENTED COMPONENT UNIT
COAST COMMUNITY COLLEGE DISTRICT ENTERPRISE CORPORATION
For the Year Ended June 30, 2020

| | |
|---|----------------------------|
| Cash flows from operating activities | |
| Cash received from space rental income | \$ 4,298,627 |
| Cash paid for operating expenses | <u>(4,728,502)</u> |
| Net cash used in operating activities | <u>(429,875)</u> |
| Cash flows from capital and financing activities | |
| Acquisition of capital assets | <u>(17,015)</u> |
| Net change in cash and cash equivalents | (446,890) |
| Cash and cash equivalents, beginning of year | <u>1,324,137</u> |
| Cash and cash equivalents, end of year | <u>\$ 877,247</u> |
| Reconciliation of net loss to cash used by operating activities: | |
| Net loss | \$ (519,600) |
| Adjustments to net loss to net cash used by operating activities: | |
| Depreciation | 22,160 |
| Deferred tax asset | 89,300 |
| Changes in operating assets: | |
| Accounts receivable | 4,000 |
| Prepaid taxes | 800 |
| Changes in operating liabilities: | |
| Accounts payable | 162,935 |
| Unearned revenue | <u>(189,470)</u> |
| Total adjustments | <u>89,725</u> |
| Net cash used in operating activities | <u>\$ (429,875)</u> |

See accompanying notes to the basic financial statements.

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Coast Community College District (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. Currently, the District operates three college campuses located in the cities of Fountain Valley, Costa Mesa, and Huntington Beach, California. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Codification Section (Cod. Sec.) 2100.101. The District is classified as a state instrumentality under Internal Revenue Code Section 115.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America and GASB Cod. Sec. 2100. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District identified the following potential component units:

- Coast Community College District Foundation
- Coastline Community College Foundation
- Golden West College Foundation
- Orange Coast College Foundation
- 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 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.

Basis of Presentation and Accounting: For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. Under this model, the District's financial statements provide a comprehensive entity-wide perspective at the District's financial position and activities. Accordingly, the District's 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 the obligation has been incurred. All significant intra-agency transactions have been eliminated. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office's *Budget and Accounting Manual*.

Fiduciary funds for which the District acts only as an agent or trust are not included in the business-type activities of the District. These funds are reported in the Statement of Fiduciary Net Position and Statement of Change in Fiduciary Net Position at the fund financial statement level.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundations' and Enterprise Corporation financial statements are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred in accordance with accounting principles generally accepted in the United States of America. Recognition of contributions is dependent upon whether the contribution is restricted or unrestricted. The Foundations' net assets are classified on the Statement of Financial Position as net assets without donor restriction or net assets with donor restriction based on the absence or existence of donor-imposed restrictions. The Foundations' and Enterprise Corporation statements were prepared in accordance with the pronouncements of the Financial Accounting Standards Board. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundations' and Enterprise Corporations financial information in the District's report for these differences.

Cash and Cash Equivalents: The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt or construction of capital assets. Restricted cash and cash equivalents are classified as noncurrent assets in the statement of net position.

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.

Receivables: Receivables consist 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.

Inventory: Inventory is presented at the lower of cost or market and is 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: Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

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.

Capital Assets and Depreciation: 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.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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: Revenue from Federal, State and local special projects and programs is recognized when qualified expenditures have been incurred. Tuition, fees and other support received but not earned are recorded as unearned revenue until 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.

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.

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.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported in the Statement of Net Position. A deferred loss 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 life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the net pension liability and net OPEB liability reported in the Statement of Net Position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the net pension liability and net OPEB liability reported which is in the Statement of Net Position.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) program of CalSTRS and Public Employers Retirement Fund B (PERF B) a program of CalPERS, and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. The following is a summary of pension amounts in aggregate.

| | <u>STRP</u> | <u>PERF B</u> | <u>Total</u> |
|--------------------------------|-----------------------|-----------------------|-----------------------|
| Deferred outflows of resources | \$ 33,767,723 | \$ 39,317,988 | \$ 73,085,711 |
| Deferred inflows of resources | <u>\$ 12,819,000</u> | <u>\$ 2,111,000</u> | <u>\$ 14,930,000</u> |
| Net pension liability | <u>\$ 125,316,000</u> | <u>\$ 154,370,000</u> | <u>\$ 279,686,000</u> |
| Pension expense | <u>\$ 30,298,357</u> | <u>\$ 38,310,408</u> | <u>\$ 68,608,765</u> |

The District has allocated 1.04% of the net pension liability and related deferred balances to the Associated Student Body Fund.

Net Position: The District's net position is classified as follows:

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: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. 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. At June 30, 2020 there is no balance of nonexpendable restricted net position.

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.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources, and then towards unrestricted resources.

On-Behalf Payments: GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third-party recipient for the employees of another legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all Community Colleges in California.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenues and Expenses: The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. Co5.101 including State appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues and expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises. All expenses are considered operating expenses except for interest expense on capital related debt.

Nonoperating revenues and expenses: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, most Federal, State and local grants and contracts and Federal appropriations, gifts and contributions, and other revenue sources described in GASB Cod. Sec. Co5.101, such as State appropriations and investment income. Interest expense on capital related debt is a non-operating expense.

State Apportionments: Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these calculations and corrections are accrued in the year in which the measurements are generated.

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. Orange County bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

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 statement in conformity with accounting principles generally accepted in the United States of America 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.

Interfund Activity: Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the District, Fiduciary Funds, and Component Units as of June 30, 2020 consisted of the following:

| | <u>District</u> | <u>Fiduciary</u> | <u>Component Units</u> |
|-------------------------------------|---------------------------|--------------------------|----------------------------|
| Cash in County Treasury | \$ 339,105,718 | \$ - | \$ - |
| Cash with fiscal agent | 4,944,029 | - | - |
| Cash on hand and in banks | 5,626,848 | 19,490,785 | 3,850,619 |
| Cash in revolving funds | <u>1,665,402</u> | <u>7,500</u> | <u>-</u> |
| Total cash and cash equivalents | <u>\$ 351,341,997</u> | <u>\$ 19,498,285</u> | <u>\$ 3,850,619</u> |

Cash in County Treasury: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The District is considered to be an involuntary participant in an external investment pool. The District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial risk classifications is required.

The District's deposits in the fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2020.

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

Cash with Fiscal Agent: Cash with Fiscal Agent represents bond funds to be used in the future. At June 30, 2020, the funds are held with a bank in a money market account and recorded at fair value.

Custodial Credit Risk - Deposits and Certificate of Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC") and are collateralized by the respective financial institution. At June 30, 2020, the carrying amount of the District's cash in banks was \$26,790,535 and the bank balance was \$22,701,606. The bank balance amount insured was \$500,000.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. California law allows for a sliding scale of collateralization depending on the type of pledged security; 150 percent of an agency's deposit for Real Estate backed securities; 110 percent of an agency's deposit for Non-Real Estate backed securities; and 105 percent of an agency's deposit for a Letter of Credit. Collateralization of District deposits minimizes the District risk, but does not eliminate the Risk. In the event of a bank failure, the FDIC will honor written collateralization agreements if the agreement is valid and enforceable under applicable law. All cash held by financial institutions that is not insured is collateralized in the form of a Contract for Deposit that allows for collateralization via a Letter of Credit.

NOTE 3 - 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

The District did not violate any provisions of the California Government Code or District Board policy during the year ended June 30, 2020.

The District's investments at June 30, 2020 are presented herein:

| <u>Investments</u> | <u>Fair Value</u> | <u>Maturities (in Years)</u> | | | |
|--------------------------------------|----------------------|------------------------------|---------------------|----------------------|----------------------|
| | | <u>Less Than 1</u> | <u>1 to 5</u> | <u>6 to 10</u> | <u>More than 10</u> |
| U.S. Treasury bonds | \$ 38,024,405 | \$ 2,258,281 | \$ 7,871,844 | \$ 6,354,623 | \$ 21,539,657 |
| Coporate bonds | 758,439 | 758,439 | - | - | - |
| U.S. Government sponsored enterprise | 30,142,499 | - | 1,261,543 | 18,320,686 | 10,560,270 |
| Mutual Funds - Equity* | 1,281,783 | - | - | - | - |
| Mutual Funds - Fixed Income* | 1,664,167 | - | - | - | - |
| Total | \$ 71,871,293 | \$ 3,016,720 | \$ 9,133,387 | \$ 24,675,309 | \$ 32,099,927 |

*Invested in mutual funds which have no maturity date.

Investments held by the OPEB Trust are disclosed in Note 14.

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.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - INVESTMENTS (Continued)

Investment fair value measurements at June 30, 2020 are presented herein:

| <u>Investments</u> | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|--------------------|
| U.S. Treasury bonds | \$ 38,024,405 | \$ 38,024,405 | \$ - | \$ - |
| Corporate bonds | 758,439 | 758,439 | - | - |
| U.S. Government sponsored enterprise | 30,142,499 | - | 30,142,499 | - |
| Mutual Funds - Equity | 1,281,783 | 1,281,783 | - | - |
| Mutual Funds - Fixed Income | <u>1,664,167</u> | <u>1,664,167</u> | - | - |
| Total | <u>\$ 71,871,293</u> | <u>\$ 41,728,794</u> | <u>\$ 30,142,499</u> | <u>\$ -</u> |

| | Fair Value | S&P's Rating as of Year End | | | | | | | |
|------------------------------------|----------------------------|-----------------------------|----------------------------|--------------------|--------------------------|--------------------------|--------------------------|--------------------|---------------------------|
| | | AAA | AA+ | AA | AA- | A+ | A | A- | Unrated |
| Corporate Bonds | \$ 758,439 | \$ - | \$ - | \$ - | \$ 253,050 | \$ 252,266 | \$ 253,123 | \$ - | \$ - |
| US Government Sponsored Enterprise | 30,142,499 | - | 30,142,499 | - | - | - | - | - | - |
| US Treasury Bonds | 38,024,405 | - | 38,024,405 | - | - | - | - | - | - |
| Mutual Funds - Equity | 1,281,783 | - | - | - | - | - | - | - | 1,281,783 |
| Mutual Funds - Fixed Income | <u>1,664,167</u> | - | - | - | - | - | - | - | <u>1,664,167</u> |
| Total | <u>\$71,871,293</u> | <u>\$ -</u> | <u>\$68,166,904</u> | <u>\$ -</u> | <u>\$ 253,050</u> | <u>\$ 252,266</u> | <u>\$ 253,123</u> | <u>\$ -</u> | <u>\$2,945,950</u> |

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; Liquidity: The District's portfolio will remain sufficiently liquid to enable the District to meet its liquidity needs, and 3) Yield: The District's portfolio will be designed to obtain a market rate of return through economic cycles consistent with the constraints imposed by its safety objective and cash flow considerations. Board Policy 6320 does not specify limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, the District has operated within parameters of the "Permitted Investments" as specified in the Measure M 2016 Official Statement 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.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - INVESTMENTS (Continued)

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 2016 Official Statement 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 4 - RECEIVABLES

Receivables as of June 30, 2020 are summarized as follows:

| | <u>District</u> | <u>Auxillary</u> | <u>Associated Student Body</u> |
|-------------------------------|-----------------------------|-----------------------------|------------------------------------|
| Federal | \$ 4,804,816 | \$ - | \$ - |
| State | 12,620,992 | - | - |
| Local sources | 16,914,343 | 1,130,854 | 1,269,770 |
| Other | - | - | 468,877 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total receivables | <u>\$ 34,340,151</u> | <u>\$ 1,130,854</u> | <u>\$ 1,738,647</u> |
| Student loans receivable, net | <u>\$ 2,501,860</u> | <u>\$ -</u> | <u>\$ -</u> |

NOTE 5 - 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, 2020, is \$10,687,500.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District consists of the following:

| | <u>Balance</u> <u>July 1, 2019</u> | <u>Additions and</u> <u>Transfers</u> | <u>Deductions and</u> <u>Transfers</u> | <u>Balance</u> <u>June 30, 2020</u> |
|--------------------------------|---------------------------------------|--|---|--|
| Non-depreciable | | | | |
| Land | \$ 24,141,969 | \$ - | \$ - | \$ 24,141,969 |
| Construction in progress | 159,381,967 | 142,679,289 | (4,559,672) | 297,501,584 |
| Depreciable: | | | | |
| Buildings and improvements | 765,192,943 | 4,568,721 | (312,058) | 769,449,606 |
| Equipment and vehicles | <u>50,789,895</u> | <u>2,491,998</u> | <u>(245,784)</u> | <u>53,036,109</u> |
| Total | <u>999,506,774</u> | <u>149,740,008</u> | <u>(5,117,514)</u> | <u>1,144,129,268</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 299,333,439 | 18,066,612 | (165,374) | 317,234,677 |
| Equipment and vehicles | <u>38,010,689</u> | <u>4,044,454</u> | <u>(235,812)</u> | <u>41,819,331</u> |
| Total | <u>337,344,128</u> | <u>22,111,066</u> | <u>(401,186)</u> | <u>359,054,008</u> |
| Capital assets, net | <u>\$ 662,162,646</u> | <u>\$ 127,628,942</u> | <u>\$ (4,716,328)</u> | <u>\$ 785,075,260</u> |

NOTE 7 – UNEARNED REVENUE

Unearned revenue as of June 30, 2020, consisted of the following:

| | |
|-----------------|----------------------|
| Categorical aid | \$ 19,194,378 |
| Enrollment fees | 15,018,115 |
| Other local | <u>278,233</u> |
| Total | <u>\$ 34,490,726</u> |

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 – 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.

| Year ending <u>June 30,</u> | <u>Lease Payment</u> |
|--------------------------------|----------------------------|
| 2021 | \$ 511,447 |
| 2022 | 314,052 |
| 2023 | 184,540 |
| 2024 | <u>8,309</u> |
| Total | \$ <u>1,018,348</u> |

Current year expenditures for operating leases is approximately \$626,412. 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 on the project was completed and opened for occupancy in the Fall of 2020.

NOTE 9 – LONG TERM LIABILITIES

The long-term liabilities activity for the year ended June 30, 2020, is as follows:

| | <u>Balance July 1, 2019</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2020</u> | <u>Amount Due within One Year</u> |
|--|---------------------------------|------------------------------|------------------------------|----------------------------------|---------------------------------------|
| <u>Debt:</u> | | | | | |
| Bonds payable | \$ 754,064,504 | \$ 318,961,253 | \$ 164,975,000 | \$ 908,050,757 | \$ 21,760,933 |
| Accreted interest | 54,950,882 | 14,848,895 | - | 69,799,777 | 2,114,067 |
| Bonds premium | 63,620,910 | 9,366,632 | 8,290,747 | 64,696,795 | 4,614,511 |
| Note payable | 2,950,000 | - | 350,000 | 2,600,000 | 360,000 |
| <u>Other long term liabilities:</u> | | | | | |
| Compensated absences | 8,245,346 | 669,024 | - | 8,914,370 | 1,926,166 |
| Perkins loan program liability | 2,405,774 | - | 6,991 | 2,398,783 | - |
| Net pension liability | 267,662,833 | 9,157,433 | - | 276,820,266 | - |
| Net OPEB liability - Retiree benefits | 23,364,015 | - | 126,714 | 23,237,301 | - |
| Net OPEB liability - MPP | 857,403 | - | 58,793 | 798,610 | - |
| SRP PARS liability | - | 6,985,452 | - | 6,985,452 | 977,963 |
| Total | <u>\$1,178,121,667</u> | <u>\$ 359,988,689</u> | <u>\$ 173,808,245</u> | <u>\$1,364,302,111</u> | <u>\$ 31,753,640</u> |
| | <u>Balance July 1, 2019</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2020</u> | <u>Amount Due within One Year</u> |
| <u>Fiduciary</u> | | | | | |
| Net pension liability | <u>\$ 2,705,842</u> | <u>\$ 159,892</u> | <u>\$ -</u> | <u>\$ 2,865,734</u> | <u>\$ -</u> |

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 – LONG TERM LIABILITIES (Continued)

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.

The 2005 Refunding Bonds mature August 1, 2022 with interest accreting at an average 5.08% compounded semiannually each year and due upon maturity.

Unamortized premiums and accreted interest on the 2005 Refunding Bonds were \$1,628,293 and \$12,114,718 at June 30, 2020, respectively.

2005 Refunding Bonds

| Year ending <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|----------------------|----------------------|
| 2021 | \$ 425,933 | \$ 2,114,067 | \$ 2,540,000 |
| 2022 | 1,159,595 | 6,610,405 | 7,770,000 |
| 2023 | <u>1,033,339</u> | <u>6,746,661</u> | <u>7,780,000</u> |
| Total | <u>\$ 2,618,867</u> | <u>\$ 15,471,133</u> | <u>\$ 18,090,000</u> |

The 2002 General Obligation Bonds, Series 2006B mature August 1, 2030 with interest accreting at an average 5.05% compounded semiannually each year and due upon maturity.

Accreted interest on the 2002 General Obligation Bonds, Series 2006B was \$47,126,220 at June 30, 2020, respectively. Premiums were fully amortized as of June 30, 2020.

Series B

| Year ending <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|-----------------------|
| 2026-2030 | \$ 38,790,977 | \$ 69,299,023 | \$ 108,090,000 |
| 2031 | <u>10,068,854</u> | <u>23,551,146</u> | <u>33,620,000</u> |
| Total | <u>\$ 48,859,831</u> | <u>\$ 92,850,169</u> | <u>\$ 141,710,000</u> |

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.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 – LONG TERM LIABILITIES (Continued)

On May 29, 2013, the District issued bonds, Series A, Series B, Tax-Exempt Refunding Series A, and Taxable 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. In 2019, the District issued Series F and Refunding bonds totaling \$318,961,253. The 2019 Refunding Bonds were issued to advance refund a portion of Series A from Measure C. At June 30, 2020, \$134,530,000 of Series C General Obligation Bonds were considered defeased.

The 2012 General Obligation Bonds, Series 2013A mature August 1, 2038 and bear interest at rates ranging from 1.50% to 5.00% with interest due semiannually on February 1 and August 1.

Series A

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

The 2013 Tax-Exempt Refunding Bonds, Series A mature August 1, 2024 and bear interest at rates ranging from 2.00% to 5.00% with interest due semiannually on February 1 and August 1. Unamortized premiums on the 2013 Tax-Exempt Refunding Bonds, Series A were \$7,896,720 at June 30, 2020.

Tax-Exempt Refunding Series A

| Year ending <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 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 | <u>17,565,000</u> | <u>878,250</u> | <u>18,443,250</u> |
| Total | <u>\$ 63,295,000</u> | <u>\$ 11,017,000</u> | <u>\$ 74,312,000</u> |

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 – LONG TERM LIABILITIES (Continued)

The 2013 Taxable Refunding Bonds, Series B mature August 1, 2020 and bear interest at rates ranging from 0.35% to 2.27% with interest due semiannually on February 1 and August 1. Premiums were fully amortized as of June 30, 2020.

Taxable Refunding Series B

| Year ending <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|------------------|-----------------|--------------|
| 2021 | \$ 4,875,000 | \$ 110,468 | \$ 4,985,468 |

The 2015 Refunding Bonds mature August 1, 2026. The current interest bonds mature August 1, 2033 and bear interest at rates ranging from 2.00% to 5.00% with interest due semiannually on February 1 and August 1. The capital appreciation bonds mature August 1, 2036 with interest accreting at an average 4.38% compounded semi-annually each year and due upon maturity. Unamortized Premiums and Accreted Interest on the capital appreciation bonds were \$14,823,084 and \$10,241,938 at June 30, 2020, respectively.

2015 Refunding Bonds

| Year ending <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|-----------------------|-----------------------|-----------------------|
| 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 | - | 5,177,950 | 5,177,950 |
| 2026-2030 | 30,550,000 | 25,126,000 | 55,676,000 |
| 2031-2035 | 107,991,215 | 42,051,660 | 150,042,875 |
| 2036-2037 | <u>22,594,591</u> | <u>31,470,409</u> | <u>54,065,000</u> |
| Total | <u>\$ 161,135,806</u> | <u>\$ 124,537,819</u> | <u>\$ 285,673,625</u> |

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.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 – LONG TERM LIABILITIES (Continued)

The 2012 General Obligation Bonds, Series 2016C mature through August 1, 2023 and bear interest at rates ranging from 0.80% to 1.98% with interest due semiannually on February 1 and August 1.

Series C

| Year ending <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|-------------------|----------------------|
| 2021 | \$ 3,220,000 | \$ 214,465 | \$ 3,434,465 |
| 2022 | 3,400,000 | 165,698 | 3,565,698 |
| 2023 | 3,600,000 | 107,296 | 3,707,296 |
| 2024 | <u>3,815,000</u> | <u>37,673</u> | <u>3,852,673</u> |
| Total | <u>\$ 14,035,000</u> | <u>\$ 525,132</u> | <u>\$ 14,560,132</u> |

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 2012 General Obligation Bonds, Series 2017D mature through August 1, 2042 and bear interest at rates ranging from 0.80% to 1.98% with interest due semiannually on February 1 and August 1.

Unamortized Premiums on the 2012 General Obligation Bonds, Series 2017D were \$29,542,462 at June 30, 2020.

Series D

| Year ending <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|-----------------------|-----------------------|-----------------------|
| 2021 | \$ - | \$ 12,841,000 | \$ 12,841,000 |
| 2022 | - | 12,841,000 | 12,841,000 |
| 2023 | - | 12,841,000 | 12,841,000 |
| 2024 | - | 12,841,000 | 12,841,000 |
| 2025 | 5,330,000 | 12,707,750 | 18,037,750 |
| 2026-2030 | 32,555,000 | 58,623,625 | 91,178,625 |
| 2031-2035 | 58,695,000 | 49,272,875 | 107,967,875 |
| 2036-2040 | 116,670,000 | 27,583,250 | 144,253,250 |
| 2041-2043 | <u>65,000,000</u> | <u>3,980,000</u> | <u>68,980,000</u> |
| Total | <u>\$ 278,250,000</u> | <u>\$ 203,531,500</u> | <u>\$ 481,781,500</u> |

The 2012 General Obligation Bonds, Series 2017E matured August 1, 2019.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 – LONG TERM LIABILITIES (Continued)

On November 20, 2019, the District issued bonds, Series 2019F, totaling \$167,996,253, to (i) finance the repair, upgrading, acquisition, construction, and equipping of District sites and facilities and (ii) pay the costs of issuing the 2019F bonds. The current interest bonds of \$84,700,000 mature August 1, 2021 through August 1, 2039 and bear interest at rates ranging from 3.00% to 4.00% with interest due semiannually on August 1 and February 1. The Capital Appreciation Bonds of \$83,296,253 mature August 1, 2025 through August 1, 2043 and bear interest at rates ranging from 1.68% to 3.18%. Unamortized premiums and accreted interest on capital appreciation bonds were \$9,366,632 and \$316,901 at June 30, 2020, respectively.

Series F

| Year ending <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|-----------------------|-----------------------|-----------------------|
| 2021 | \$ - | \$ 1,853,507 | \$ 1,853,507 |
| 2022 | 1,245,000 | 2,978,850 | 4,223,850 |
| 2023 | 2,715,000 | 2,941,500 | 5,656,500 |
| 2024 | 1,580,000 | 2,832,900 | 4,412,900 |
| 2025 | - | 2,769,700 | 2,769,700 |
| 2026-2030 | 12,953,329 | 13,534,371 | 26,487,700 |
| 2031-2035 | 26,655,000 | 8,692,700 | 35,347,700 |
| 2036-2040 | 41,806,288 | 6,196,062 | 48,002,350 |
| 2041-2044 | 81,041,636 | 81,163,364 | 162,205,000 |
| | <u>\$ 167,996,253</u> | <u>\$ 122,962,954</u> | <u>\$ 290,959,207</u> |
| Total | | | |

On November 20, 2019, the District Refunding Bonds totaling \$150,965,000 to (i) advance refund portions of the outstanding principal of the District's 2012 General Obligation Bonds, Series 2013A and (ii) pay the costs of issuing the Refunding Bonds. The 2019 Refunding Bonds mature August 1, 2020 through August 1, 2038 and bear interest at rates ranging from 1.68% to 4.00% with interest due semiannually on February 1 and August 1.

Calculation of Difference in Cash Flow Requirements and Economic Gain

Cash Flow Difference

| | |
|-----------------------------|----------------------|
| Old debt service cash flows | \$ 217,188,250 |
| New debt service cash flows | <u>203,642,758</u> |
| | <u>\$ 13,545,492</u> |

Economic Gain: The economic gain or difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discount at the effective interest rate is \$10,065,784.

There was no added interest or sinking fund resources related to the new debt proceeds.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 – LONG TERM LIABILITIES (Continued)

2019 Refunding

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

The following table summarizes the Outstanding General Obligation Bonds at June 30, 2020:

| <u>General Obligation Bonds</u> | <u>Date of Issuance</u> | <u>Date of Maturity</u> | <u>Interest Rate %</u> | <u>Amount of Original Issue</u> | <u>Outstanding June 30, 2020</u> |
|---------------------------------|-----------------------------|-----------------------------|----------------------------|-------------------------------------|--------------------------------------|
| Measure C: | | | | | |
| 2005 Refunding | 3/10/2005 | 8/1/2022 | 3.00-5.25 | \$ 74,893,867 | \$ 2,618,867 |
| Accreted Interest | | | | - | 12,114,718 |
| Series B | 6/28/2006 | 8/1/2030 | 3.63-5.00 | 149,859,831 | 48,859,831 |
| Accreted Interest | | | | - | 47,126,220 |
| Total Measure C | | | | <u>224,753,698</u> | <u>110,719,636</u> |
| Measure M: | | | | | |
| Series A | 5/29/2013 | 8/1/2038 | 1.50-5.00 | 190,000,000 | 16,020,000 |
| 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 | 63,295,000 |
| Refunding Series B | 5/29/2013 | 8/1/2020 | 0.35-2.27 | 35,475,000 | 4,875,000 |
| 2015 Refunding | 10/29/2015 | 8/1/2036 | 2.00-5.00 | 162,855,806 | 161,135,806 |
| Accreted Interest | | | | - | 10,241,938 |
| Series C | 8/31/2016 | 8/1/2023 | 0.80-1.98 | 30,000,000 | 14,035,000 |
| Series D | 3/29/2017 | 8/1/2042 | 4.00-5.00 | 280,000,000 | 278,250,000 |
| Series E | 3/29/2017 | 8/1/2019 | 1.43-1.69 | 20,000,000 | - |
| Series F | 11/20/2019 | 8/1/2039 | 1.68-4.00 | 167,996,253 | 167,996,253 |
| Accreted Interest | | | | - | 316,901 |
| 2019 Refunding | 11/20/2019 | 8/1/2035 | 1.67-2.96 | <u>150,965,000</u> | <u>150,965,000</u> |
| Total Measure M | | | | <u>1,127,557,059</u> | <u>867,130,898</u> |
| Total | | | | <u>\$ 1,352,310,757</u> | <u>\$ 977,850,534</u> |

SRP PARS Liability: During the fiscal year ended June 30, 2020, the District offered a Supplementary Retirement Plan (SRP) administered by Public Agency Retirement Services (PARS) to classified employees who met specific service criterion in exchange for agreeing to retire on or before June 30, 2020. A total of 95 employees are participating.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 - 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.

| Year ending <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|-------------------|---------------------|
| 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 | 415,000 | 36,469 | 451,469 |
| 2026-2027 | <u>660,000</u> | <u>24,844</u> | <u>684,844</u> |
| Total | <u>\$ 2,600,000</u> | <u>\$ 354,188</u> | <u>\$ 2,954,188</u> |

NOTE 11 - 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. At June 30, 2020, the Perkins Loan Program Liability balance totaled \$2,398,783. See Note 1, Perkins Loan Program Termination for additional information.

NOTE 12 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <https://www.calstrs.com/comprehensive-annual-financial-report>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

(Continued)

NOTE 12 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The Defined Benefit (DB) Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service.

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months of credited service.

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 contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method.

In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately \$2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution, approximately \$1.6 billion, was allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program.

(Continued)

NOTE 12 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

California Assembly Bill 84, Chapter 16, Statutes of 2020, (AB 84) was signed into law in June 2020 and revised certain provisions of Teachers' Retirement Law enacted by SB 90. Specifically, AB 84 repurposed the aforementioned \$1.6 billion contribution originally intended to reduce employers' long-term liabilities, to further supplant employer contributions through fiscal year 2021–22. Pursuant to AB 84, employers will remit contributions to CalSTRS based on a rate that is 2.95% less than the statutory rate for fiscal year 2020–21 and 2.18% less than the rate set by the board for fiscal year 2021–22. Any remaining amounts must be allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program. The rate reduction for fiscal year 2019-20 under SB 90 was not changed by AB 84. The employer contribution rates set in statute and the CalSTRS board's authority to adjust those rates starting in fiscal year 2021–22 under the CalSTRS Funding Plan were not changed by the passage of SB 90 or AB 84. A summary of statutory contribution rates and other sources of contributions to the DB Program are as follows:

Members – Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2019-20. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2019-20.

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Employers – 17.10 percent of applicable member earnings. This rate reflects the original employer contribution rate of 18.13 percent under AB1469, reduced for the 1.03 percentage points to be paid on behalf of the employers pursuant to SB 90.

Pursuant to AB 1469, employer contributions will increase from a prior rate of 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation also gives the CalSTRS board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The CalSTRS board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 12 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2019-20 through fiscal year 2045-46 are summarized in the table below:

| <u>Effective Date</u> | <u>Prior Rate</u> | <u>Increase</u> | <u>Total</u> |
|-----------------------|-------------------|--|-----------------------|
| July 01, 2019 | 8.25% | 9.88% | 18.13% ⁽¹⁾ |
| July 01, 2020 | 8.25% | 10.85% | 19.10% ⁽¹⁾ |
| July 1, 2021 to | | | |
| June 30, 2046 | 8.25% | (2) | (2) |
| July 01, 2046 | 8.25% | Increase from prior rate ceases in 2046-47 | |

(1) Pursuant to SB 90 and AB 84, the fiscal year 2018-19 state contribution of approximately \$2.2 billion made in advance on behalf of employers will be used to pay the contributions required by employers for the 2019-20, 2020-21 and 2021-22 fiscal years, such that employers will remit 1.030%, 2.950% and 2.180% less, respectively, than is required by the CalSTRS Funding Plan.

(2) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down 1% each year, but no higher than 20.25% total and no lower than 8.25%.

The District contributed \$14,345,723 to the plan for the fiscal year ended June 30, 2020.

State – 10.328 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The state's base contribution to the Defined Benefit Program is calculated based on creditable compensation from two fiscal years prior. The state rate increased to 5.811 percent on July 1, 2019 to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions. Additionally, the enactment of SB 90 will result in future supplemental contributions to be made by the state to pay down its portion of the unfunded actuarial obligation of the Defined Benefit Program in fiscal years 2019-29 through 2022-23.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 12 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS state contribution rates effective for fiscal year 2019-20 and beyond are summarized in the table below.

| <u>Effective Date</u> | <u>Base Rate</u> | <u>AB 1469 Increase For 1990 Benefit Structure</u> | <u>SBMA Funding⁽¹⁾</u> | <u>Total State Appropriation to DB Program</u> |
|--------------------------------|------------------|--|-----------------------------------|--|
| July 01, 2019 | 2.017% | 5.811% | 2.50% | 10.328% ⁽²⁾ |
| July 01, 2020 | 2.017% | 5.811% ⁽³⁾ | 2.50% | 10.328% ⁽²⁾ |
| July 01, 2021 to June 30, 2046 | 2.017% | (4) | 2.50% | (4) |
| July 01, 2046 and thereafter | 2.017% | (5) | 2.50% | (5) |

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) This rate does not include the \$2.2 billion supplemental state contribution on behalf of employers pursuant to SB 90.

(3) In May 2020, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2020. However, pursuant to AB 84, the state suspended the board's rate-setting authority for state contributions for fiscal year 2020-21, thereby negating the board's rate increase of 0.5%.

(4) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

(5) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

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

At June 30, 2020, 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 amounts 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 as of June 30, were as follows:

| | |
|---|-----------------------|
| District's proportionate share of the net pension liability | \$ 125,316,000 |
| State's proportionate share of the net pension liability associated with the District | 68,368,000 |
| Total | <u>\$ 193,684,000</u> |

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 12 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating Districts and the State. At June 30, 2019, the District's proportion was 0.139 percent, which was a decrease of 0.004 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$30,298,357. In addition, the District recognized revenue and corresponding expense of \$12,559,871 for support provided by the state. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown herein.

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 316,000 | \$ 3,531,000 |
| Changes of assumptions | 15,850,000 | - |
| Net differences between projected and actual earnings on investments | - | 4,827,000 |
| Net differences between changes in proportion and differences between District contributions | 3,256,000 | 4,461,000 |
| Contributions made subsequent to measurement date | <u>14,345,723</u> | <u>-</u> |
| Total | <u>\$ 33,767,723</u> | <u>\$ 12,819,000</u> |

\$14,345,723 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending <u>June 30,</u> | |
|--------------------------------|--------------|
| 2021 | \$ 2,912,334 |
| 2022 | (435,667) |
| 2023 | 1,849,333 |
| 2024 | 3,686,000 |
| 2025 | (590,500) |
| 2026 | (818,500) |

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 12 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Differences between expected and actual experience, changes in assumptions, changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2019 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

| | |
|-----------------------------------|---|
| Valuation Date | June 30, 2018 |
| Experience Study | July 1, 2010, through June 30, 2015 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 7.10% |
| Consumer Price Inflation | 2.75% |
| Wage Growth | 3.50% |
| Post-retirement Benefit Increases | 2.00% simple for DB Not applicable for DBS/CBB |

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 major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the Cal STRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. 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 is 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 | 47% | 4.8% |
| Fixed Income | 12 | 1.3 |
| Real Estate | 13 | 3.6 |
| Private Equity | 13 | 6.3 |
| Absolute Return / Risk Mitigating Strategies | 9 | 1.8 |
| Inflation Sensitive | 4 | 3.3 |
| Cash / Liquidity | 2 | (0.4) |

* 20-year geometric average

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 12 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent. 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 in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those 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.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

| | 1% Decrease <u>(6.10%)</u> | Current Discount Rate (7.10%) | 1% Increase <u>(8.10%)</u> |
|--|-------------------------------|-------------------------------------|-------------------------------|
| District proportionate share of the net pension liability | <u>\$ 186,605,000</u> | <u>\$ 125,316,000</u> | <u>\$ 74,495,000</u> |

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 13 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The Schools Cost-sharing Multiple-employer Defined Benefit Pension Plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at:

<https://www.calpers.ca.gov/docs/forms-publications/cafr-2019.pdf>

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 13 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF B, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2020 were as follows:

Members – The member contribution rate was 7.00 percent of applicable member earnings for fiscal year 2019-20.

Employers – The employer contribution rate was 19.72 percent of applicable member earnings.

The District contributed \$15,223,988 to the plan for the fiscal year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$154,370,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2019, the District’s proportion was 0.530 percent, which was an increase of 0.009 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$38,310,408. June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 11,213,000 | \$ - |
| Changes of assumptions | 7,348,000 | - |
| Net differences between projected and actual earnings on pension plan investments | - | 1,431,000 |
| Changes in proportion and differences between District contributions and proportionate share of the contributions | 5,533,000 | 680,000 |
| Pension contributions subsequent to measurement date | <u>15,223,988</u> | <u>-</u> |
| Total | <u>\$ 39,317,988</u> | <u>\$ 2,111,000</u> |

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 13 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

\$15,223,988 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending <u>June 30,</u> | |
|--------------------------------|---------------|
| 2021 | \$ 15,048,750 |
| 2022 | 4,624,750 |
| 2023 | 1,903,750 |
| 2024 | 405,750 |

Differences between expected and actual experience and changes in assumptions and changes in proportion and differences between the District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2019 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

| | |
|-----------------------------------|--|
| Valuation Date | June 30, 2018 |
| Experience Study | June 30, 1997, through June 30, 2015 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 7.15% |
| Consumer Price Inflation | 2.50% |
| Wage Growth | Varies by entry age and service |
| Post-retirement Benefit Increases | Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter |

The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of scale MP 2016. For more details on this table, please refer to the 2017 experience study report.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 13 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

| <u>Asset Class</u> | <u>Long -Term* Assumed Asset Allocation</u> | <u>Expected Real Rate of Return Years of 1 - 10 ⁽¹⁾</u> | <u>Expected Real Rate of Return Years of 11+ ⁽²⁾</u> |
|---------------------|---|--|---|
| Global Equity | 50% | 4.80% | 5.98% |
| Fixed Income | 28 | 1.00 | 2.62 |
| Inflation of Assets | - | 0.77 | 1.81 |
| Private Equity | 8 | 6.30 | 7.23 |
| Real Estate Assets | 13 | 3.75 | 4.93 |
| Liquidity | 1 | - | (0.92) |

* 10-year geometric average

(1) An expected inflation rate of 2.00% used for this period

(2) An expected inflation rate of 2.92% used for this period

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent in fiscal year 2019-20. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

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 major asset class.

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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. The expected rate of return was set by calculating the rounded 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.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 13 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:
The following presents the District’s proportionate share of the net pension liability as of June 30, 2020 calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

| | 1% Decrease <u>(6.15%)</u> | Current Discount Rate <u>(7.15%)</u> | 1% Increase <u>(8.15%)</u> |
|--|-------------------------------|--|-------------------------------|
| District proportionate share of the net pension liability | <u>\$ 222,514,000</u> | <u>\$ 154,370,000</u> | <u>\$ 97,840,000</u> |

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: In addition to the pension benefits described in Notes 12 and 13, 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.

Eligibility: 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.

Employees Covered by Benefit Term: The following is a table of plan participants at June 30, 2020:

| | <u>Number of Participants</u> |
|--|-----------------------------------|
| Inactive participants currently receiving benefits | 790 |
| Inactive participants entitled to but not yet receiving benefit payments | - |
| Active employees | <u>1,344</u> |
| | <u>2,134</u> |

Contributions: 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, 2020, the District contributed \$6,588,869 to the plan.

(Continued)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Plan 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.

The JPA or Futuris did not violate any provisions of the investment policy during the fiscal year ended June 30, 2020.

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, 2020, 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, 2020, the annual money-weighted rate of return on investments, net of investment expense, was not available.

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, 2020, are presented herein.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

| <u>Investment</u> | <u>Costs</u> | <u>Fair Value Measurements Using</u> | | | <u>NAV*</u> |
|------------------------------------|-----------------------------|--------------------------------------|-----------------------|-----------------------|-----------------------------|
| | | <u>Level 1 Inputs</u> | <u>Level 2 Inputs</u> | <u>Level 3 Inputs</u> | |
| Master Trust | \$ 43,256,866 | \$ - | \$ - | \$ - | \$ 43,256,866 |
| Mutual fund - Fixed income | 22,354,847 | 22,354,847 | - | - | - |
| Mutual fund - Domestic equity | 12,446,036 | 12,446,036 | - | - | - |
| Mutual fund - International equity | 3,214,533 | 3,214,533 | - | - | - |
| Mutual fund - Real estate | 2,417,252 | 2,417,252 | - | - | - |
| Total | <u>\$ 83,689,534</u> | <u>\$ 40,432,668</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 43,256,866</u> |

*Investments measured at fair value using net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the hierarchy tables for such investments are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The plan discount rate of 6.0% was determined using the following asset allocation and assumed rate of return:

| <u>Asset Class – Community College League of California</u> | <u>Percentage of Allocation</u> | <u>Rate Return*</u> |
|---|---------------------------------|---------------------|
| US large cap | 29% | 7.80% |
| US small cap | 13% | 7.80% |
| All foreign stock | 9% | 7.80% |
| Other fixed income | 49% | 3.25% |

| <u>Asset Class - Futuris</u> | <u>Percentage of Allocation</u> | <u>Rate Return*</u> |
|-------------------------------|---------------------------------|---------------------|
| All fixed income | 55% | 4.50% |
| Real estate investment trends | 4% | 7.50% |
| All domestic equities | 22% | 7.50% |
| All international equities | 19% | 7.50% |

*Geometric average

Rolling periods of time for all asset classes in combination we used to appropriately reflect correlation between asset classes. This means that the average returns for any asset class do not necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. Additionally, the historic 19-year real rates of return for each asset class along with the assumed long-term inflation assumption was used to set the discount rate. The investment return was offset by assumed investment expenses of 25 basis points.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Assumptions: The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|--|
| Valuation date | June 30, 2019 |
| Measurement date | June 30, 2020 |
| Census data | The census data was provided by the District as of June 30, 2019 |
| Actuarial cost methods | Entry age actuarial cost method |
| Inflation rate | 2.75% |
| Investment rate of return | 6.00% |
| Discount rate | 6.00% |
| Health care cost trend rate | 4.00% |
| Payroll increase | 2.75% |
| Participation rates | 95% for certificated and classified employees |
| Mortality | For certificated employees, the 2009 CalSTRS mortality tables were used. For classified employees, the 2014 CalPERS active mortality for miscellaneous employees were used. |

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in Net OPEB Liability (Asset):

| | Increase (Decrease) | | |
|---------------------------|-----------------------------|------------------------------------|---------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balance at June 30, 2019 | \$ 103,551,998 | \$ 80,187,983 | \$ 23,364,015 |
| Changes for the year: | | | |
| Service cost | 3,833,255 | - | 3,833,255 |
| Interest | 6,130,451 | - | 6,130,451 |
| Employer contributions | - | 6,588,869 | (6,588,869) |
| Net investment income | - | 4,804,481 | (4,804,481) |
| Changes in benefit terms | - | - | - |
| Changes in assumptions | - | - | - |
| Experience gain/losses | - | - | - |
| Investment gains/losses | - | (1,076,335) | 1,076,335 |
| Benefit payments | (6,588,869) | (6,588,869) | - |
| Administrative expenses | - | (226,595) | 226,595 |
| | 3,374,837 | 3,501,551 | (126,714) |
| Net changes | | | |
| | 3,374,837 | 3,501,551 | (126,714) |
| Balances at June 30, 2020 | \$ 106,926,835 | \$ 83,689,534 | \$ 23,237,301 |

Fiduciary Net Position as a percentage of the Total OPEB Liability, at June 30, 2020: 78.27%

Sensitivity of the net pension liability to assumptions: The following presents the net OPEB liability calculated using the discount rate of 6.0 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (5 percent) and 1 percent (7 percent):

| | Discount Rate 1% Lower (5.0%) | Valuation Discount Rate (6.0%) | Discount Rate 1% Higher (7.0%) |
|--------------------|--|---|---|
| Net OPEB liability | \$ 32,295,494 | \$ 23,237,301 | \$ 15,293,704 |

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The following table presents the net OPEB liability calculated using the health care cost trend rate of 4 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percent lower (3 percent) and 1 percent higher (5 percent):

| | Health Care Trend Rate 1% Lower (3.0%) | Valuation Health Care Trend Rate (4.0%) | Health Care Trend Rate 1% Higher (5.0%) |
|--------------------|---|--|--|
| Net OPEB liability | <u>\$ 16,814,115</u> | <u>\$ 23,237,301</u> | <u>\$ 30,301,625</u> |

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB

For the year ended June 30, 2020 the District recognized OPEB expense of \$5,205,290. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ - | \$ 6,297,983 |
| Change of assumptions | 4,157,321 | - |
| Net difference between projected and actual earnings on investments | <u>1,049,789</u> | <u>152,883</u> |
| Total | <u>\$ 5,207,110</u> | <u>\$ 6,450,866</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending <u>June 30,</u> | |
|--------------------------------|-----------------------|
| 2021 | \$ (180,528) |
| 2022 | (180,527) |
| 2023 | (104,086) |
| 2024 | (166,993) |
| 2025 | (382,260) |
| Thereafter | <u>(229,362)</u> |
| Total | <u>\$ (1,243,756)</u> |

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7.6 years as of the June 30, 2020 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

NOTE 15 - 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.

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 \$77,922 during the fiscal year. The total amount of covered compensation was \$9,301,000. Total contributions made are 100% of the amount of contributions required for fiscal year 2020.

NOTE 16 - 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, 2020, 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 \$3,518,790, is included in accrued liabilities.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 16 - INTERNAL SERVICE FUNDS (Continued)

Changes in the reported liability are shown herein:

| <u>Reported Liability</u> | <u>Beginning Fiscal Year Liability</u> | <u>Current Year Claims and Changes in Estimates</u> | <u>Claim Payments</u> | <u>Ending Fiscal Year Liability</u> |
|---------------------------|--|---|---------------------------|---|
| Workers' compensation | \$ 255,813 | \$ (76,505) | \$ 5,540 | \$ 173,768 |
| Health and other benefits | <u>2,840,532</u> | <u>18,238,800</u> | <u>17,734,310</u> | <u>3,345,022</u> |
| Total | <u>\$ 3,096,345</u> | <u>\$ 18,162,295</u> | <u>\$ 17,739,850</u> | <u>\$ 3,518,790</u> |

NOTE 17 - 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.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 17 - JOINT POWERS AGREEMENTS (Continued)

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.

| <u>JPA Condensed Financial Informatic</u> | PIPS 6/30/2019 <u>(Audited)</u> | SAFER 6/30/2019 <u>(Audited)</u> | CSAC 6/30/2019 <u>(Audited)</u> | SWACC 6/30/2019 <u>(Audited)</u> |
|---|---------------------------------------|--|---------------------------------------|--|
| Total assets | \$ 133,474,239 | \$ 43,494,593 | \$ 965,769,045 | \$ 53,983,748 |
| Total deferred outflows of resources | \$ - | \$ - | \$ 1,227,362 | \$ - |
| Total liabilities | \$ 99,564,236 | \$ 52,232,601 | \$ 766,369,209 | \$ 36,138,632 |
| Total deferred inflows of resources | \$ - | \$ - | \$ 595,345 | \$ - |
| Net position | \$ 33,910,003 | \$ (8,738,008) | \$ 200,031,853 | \$ 17,845,116 |
| Total revenues | \$ 315,820,121 | \$ 67,407,944 | \$ 1,027,441,641 | \$ 25,464,876 |
| Total expenses | \$ 306,044,422 | \$ 77,291,779 | \$ 949,980,382 | \$ 25,634,995 |
| Change in net position | \$ 9,775,699 | \$ (9,883,835) | \$ 77,461,259 | \$ (170,119) |

NOTE 18 - 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>Salaries</u> | <u>Employee Benefits</u> | <u>Supplies, Materials, and Other Operating Expenses</u> | <u>Financial Aid</u> | <u>Depreciation</u> | <u>Total</u> |
|--|-----------------------|------------------------------|--|----------------------|----------------------|-----------------------|
| Instructional activities | \$ 74,680,554 | \$ 37,230,614 | \$ 6,658,416 | \$ - | \$ - | \$ 118,569,584 |
| Academic support | 23,408,130 | 11,669,692 | 4,356,825 | - | - | 39,434,647 |
| Student services | 27,204,529 | 13,562,317 | 3,401,467 | - | - | 44,168,313 |
| Operation and maintenance of plant | 8,468,419 | 4,221,774 | 5,528,037 | - | - | 18,218,230 |
| Instructional support services | 28,288,937 | 14,174,721 | 57,082,755 | - | - | 99,546,413 |
| Community services and economic development | 590,266 | 294,266 | 112,690 | - | - | 997,222 |
| Ancillary services and auxiliary operations | 14,534,082 | 6,413,764 | 3,119,575 | - | - | 24,067,421 |
| Physical property and related acquisitions | 1,305,900 | 640,974 | (2,402,939) | - | - | (456,065) |
| Transfers, student air and other outgo | - | - | - | 60,647,681 | - | 60,647,681 |
| Depreciation expense | - | - | - | - | 22,111,066 | 22,111,066 |
| Total | \$ 178,480,817 | \$ 88,208,122 | \$ 77,856,826 | \$ 60,647,681 | \$ 22,111,066 | \$ 427,304,512 |

(Continued)

NOTE 19 - 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.

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, 2020, 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 20 – COVID-19 PANDEMIC IMPACTS

In December 2019, a novel strain of coronavirus surfaced (COVID-19) and spread around the world, with resulting business and social disruption. In response to the pandemic and in compliance with various state and local ordinances, the District closed physical campuses and transitioned to a distance learning model. On March 13, 2020, the Governor of California issued Executive Order N-26 – 20, guaranteeing state funding to support the continued payment of salaries and benefits to all employees through June 30, 2020.

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

NOTE 21 – SUBSEQUENT EVENTS

General Obligation Bonds: In October 2020, the District issued \$211,770,000 of 2020 General Obligation Refunding Bonds (Federally Taxable) with interest rates ranging from 0.27% to 2.264%, maturing in August 2035, respectively. The Refunding Bonds were issued to advance refund all or a portion of the 2015 Refunding Bonds and pay the cost of issuance of the 2020 Refunding Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
For the Year Ended June 30, 2020

| Total OPEB Liability | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Service cost | \$ 4,772,670 | \$ 4,903,918 | \$ 5,038,776 | \$ 3,833,255 |
| Interest | 5,885,743 | 6,133,300 | 6,394,336 | 6,130,451 |
| Benefit payments | (6,533,048) | (6,794,370) | (6,713,720) | (6,588,869) |
| 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 | 4,125,365 | 4,242,848 | (3,857,739) | 3,374,837 |
| Total OPEB liability, beginning of year | <u>99,041,524</u> | <u>103,166,889</u> | <u>107,409,737</u> | <u>103,551,998</u> |
| Total OPEB liability, end of year (a) | <u>\$ 103,166,889</u> | <u>\$ 107,409,737</u> | <u>\$ 103,551,998</u> | <u>\$ 106,926,835</u> |
| Plan Fiduciary Net Position | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
| Contributions - Employer | \$ 6,533,048 | \$ 6,794,370 | \$ 6,713,720 | \$ 6,588,869 |
| Net investment income | 6,030,540 | 4,292,242 | 4,562,166 | 4,804,481 |
| Investment gains/losses | - | 382,212 | (314,535) | (1,076,335) |
| Benefit payments | (6,533,048) | (6,794,370) | (6,713,720) | (6,588,869) |
| Administrative expense | (106,841) | (159,926) | (191,502) | (226,595) |
| Net change in plan fiduciary net position | 5,923,699 | 4,514,528 | 4,056,129 | 3,501,551 |
| Fiduciary trust net position, beginning of year | <u>65,693,627</u> | <u>71,617,326</u> | <u>76,131,854</u> | <u>80,187,983</u> |
| Fiduciary trust net position, end of year (b) | <u>\$ 71,617,326</u> | <u>\$ 76,131,854</u> | <u>\$ 80,187,983</u> | <u>\$ 83,689,534</u> |
| Net OPEB liability, ending (a) - (b) | <u>\$ 31,549,563</u> | <u>\$ 31,277,883</u> | <u>\$ 23,364,015</u> | <u>\$ 23,237,301</u> |
| Plan Fiduciary net position as a percentage of the total OPEB liability | 69.42% | 70.88% | 77.44% | 78.27% |
| Covered payroll | \$ 110,477,993 | \$ 119,244,509 | \$ 124,441,825 | \$ 131,516,042 |
| Net OPEB liability as a percentage of covered payroll | 28.56% | 26.23% | 18.78% | 17.67% |

This is a 10-year schedule, however the information in this schedule is not required to be presented retrospectively

See the accompanying to the required supplementary information.

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2020

| | State Teacher's Retirement Plan | | | | | |
|--|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
| District's proportion of the net pension liability | 0.1360% | 0.1460% | 0.1410% | 0.1400% | 0.1430% | 0.1390% |
| District's proportionate share of the net pension liability | \$ 79,474,320 | \$ 98,293,040 | \$ 114,042,210 | \$ 129,472,000 | \$ 131,427,010 | \$ 125,316,000 |
| State's proportionate share of the net pension liability associated with the District | <u>47,990,508</u> | <u>51,986,043</u> | <u>64,931,754</u> | <u>76,595,165</u> | <u>75,248,479</u> | <u>68,368,000</u> |
| 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> | <u>\$ 193,684,000</u> |
| District's covered payroll | \$ 60,100,000 | \$ 67,800,000 | \$ 71,000,000 | \$ 77,100,000 | \$ 77,600,000 | \$ 86,100,000 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 132% | 145% | 161% | 168% | 169% | 145.55% |
| Plan fiduciary net position as a percentage of the total pension liability | 77% | 74% | 70% | 69% | 71% | 72.56% |

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2020

| | Public Employer's Retirement Fund B | | | | | |
|--|-------------------------------------|---------------|---------------|----------------|----------------|----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
| District's proportion of the net pension liability | 0.5164% | 0.5156% | 0.4943% | 0.4778% | 0.5211% | 0.5300% |
| District's proportionate share of the net pension liability | \$ 58,623,973 | \$ 75,999,949 | \$ 97,624,556 | \$ 114,063,471 | \$ 138,941,665 | \$ 154,370,000 |
| District's covered payroll | \$ 53,300,000 | \$ 56,743,000 | \$ 59,706,000 | \$ 61,460,000 | \$ 70,665,000 | \$ 73,047,000 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 110% | 134% | 164% | 186% | 197% | 211% |
| Plan fiduciary net position as a percentage of the total pension liability | 83% | 79% | 74% | 72% | 71% | 70.05% |

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

All years prior to 2015 are not available.

See the accompanying note to the required supplementary information.

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2020

| | State Teachers' Retirement Plan | | | | | |
|---|---------------------------------|--------------------|--------------------|---------------------|---------------------|---------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
| Contractually required contribution | \$ 6,022,305 | \$ 7,618,862 | \$ 9,698,103 | \$ 11,199,040 | \$ 14,100,932 | \$ 14,345,723 |
| 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> | <u>(14,345,723)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <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 | \$ 79,127,000 |
| Contributions as percentage of its covered payroll | 8.88% | 10.73% | 12.58% | 14.43% | 16.28% | 17.10%* |

All years prior to 2015 are not available

* This rate reflects the original employer contribution rate of 18.13 percent under AB1469, reduced for the 1.03 percentage points to be paid on behalf of the employers pursuant to SB 90.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2020

Public Employer's Retirement Fund B
Last 10 Fiscal Years

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|--------------------|--------------------|--------------------|---------------------|---------------------|---------------------|
| Contractually required contribution | \$ 6,678,600 | \$ 7,075,135 | \$ 8,536,763 | \$ 10,974,290 | \$ 13,192,231 | \$ 15,223,988 |
| 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> | <u>(15,223,988)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 56,743,000 | \$ 59,706,000 | \$ 61,460,000 | \$ 70,665,000 | \$ 73,047,000 | \$ 77,197,000 |
| Contributions as percentage of its covered payroll | 11.77% | 11.85% | 13.89% | 15.53% | 18.06% | 19.72% |

All years prior to 2015 are not available.

See the accompanying to the required supplementary information.

COAST COMMUNITY COLLEGE DISTRICT
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 For the year ended June 30, 2020

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability:

The Schedule of Changes in Net OPEB Liability is presented to illustrate the elements of the District's Net OPEB Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

B - Schedule of the District's Proportionate Share of the Net Pension Liability

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

C - Schedule of the District's Contributions (Pensions)

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Changes of Benefit Terms (Pensions)

There are no changes in benefit terms reported in the Required Supplementary Information.

E - Changes of Assumptions (Pensions)

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65, 7.65, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017, and 2018 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

| <u>Assumptions</u> | <u>Measurement Period</u> | | | | |
|---------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | As of June 30, <u>2019</u> | As of June 30, <u>2018</u> | As of June 30, <u>2017</u> | As of June 30, <u>2016</u> | As of June 30, <u>2015</u> |
| Consumer price inflation | 2.75% | 2.75% | 2.75% | 3.00% | 3.00% |
| Investment rate of return | 7.10% | 7.10% | 7.10% | 7.60% | 7.60% |
| Wage growth | 3.50% | 3.50% | 3.50% | 3.75% | 3.75% |

SUPPLEMENTARY INFORMATION

COAST COMMUNITY COLLEGE DISTRICT
ORGANIZATION
For the year ended June 30, 2020

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, 2020 were as follows:

BOARD OF TRUSTEES

| <u>Members</u> | <u>Office</u> | <u>Term Expires</u> |
|------------------------|-----------------|---------------------|
| Mr. David A. Grant | President | 2022 |
| Dr. Lorraine Prinsky | Vice President | 2020 |
| Mr. Jim Moreno | Board Clerk | 2022 |
| Ms. Mary L. Hornbuckle | Trustee | 2020 |
| Mr. Jerry Patterson | Trustee | 2020 |
| Ms. Angela Finkley | Student Trustee | 2021 |

DISTRICT ADMINISTRATORS

Dr. John Weispfenning
Chancellor

Dr. Angelica L. Suarez
President, Orange Coast College

Mr. Tim McGrath
President, Golden West College

Dr. Loretta P. Adrian
President, Coastline College

Dr. Andrew Dunn
Vice Chancellor, Finance and Administrative Services

Dr. Marco Baeza
Vice Chancellor, Human Resources

Dr. Andreea M. Serban
Vice Chancellor, Educational Services and Technology

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
ORGANIZATION
For the year ended June 30, 2020

AUXILIARY ORGANIZATIONS IN GOOD STANDING

Coast Community College District Foundation, established November 18, 1976
Master Agreement revised July 26, 2016
Erik Fallis, Executive Director

Coastline Community College Foundation, established May 21, 1984
Master Agreement revised July 1, 2016
Mariam Khosravani

Golden West College Foundation, established Sept 21, 1984
Master Agreement revised July 1, 2016
Bruce Berman, Director

Orange Coast College Foundation, established August 14, 1984
Master Agreement revised July 01, 2016
Doug Bennett, Executive Director

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Sub-recipient Award Amount | Federal Expenditures |
|---|---------------------------|--|----------------------------------|-------------------------|
| <u>United States Department of Education</u> | | | | |
| <i>Direct:</i> | | | | |
| Student Financial Aid Cluster: | | | | |
| Federal Work Study | 84.033 | (1) | \$ - | \$ 797,250 |
| Financial Aid Administrative Allowance | 84.063 | (1) | - | 34,446 |
| Pell Grant 18-19 | 84.063 | (1) | - | 1,820,335 |
| Pell Grant 19-20 | 84.063 | (1) | - | 37,537,368 |
| Federal Supplemental Educational Opportunity Grant 19-20 | 84.007 | (1) | - | 704,703 |
| Federal Supplemental Educational Opportunity Grant 18-19 | 84.007 | (1) | - | 117,497 |
| Federal Direct Student Loans 19-20 | 84.268 | (1) | - | 5,388,493 |
| Federal Direct Student Loans 18-19 | 84.268 | (1) | - | 359,266 |
| Perkins Loans | 84.038 | (1) | - | 1,236,469 |
| Subtotal Student Financial Aid Cluster | | | - | 47,995,827 |
| Higher Education Institutional Aid: | | | | |
| Orange Coast College Title V STEM Academy Yr 1 | 84.031S | (1) | - | 100,593 |
| Orange Coast College Title V STEM Academy Yr 2 | 84.031S | (1) | - | 494,139 |
| New Asian American Pacific Islander Generation Initiative Y4 | 84.031L | (1) | - | 51,444 |
| New Asian American Pacific Islander Generation Initiative Y5 | 84.031L | (1) | - | 290,000 |
| <i>Passed through CSU Fullerton Auxiliary Services</i> | | | | |
| <i>Cooperation:</i> | | | | |
| Project RAISE: Regional Alliance in STEM Education | 84.031C | (1) | - | 18,016 |
| Project RAISE: Regional Alliance in STEM Education | 84.031C | (1) | - | 30,420 |
| <i>Passed through Vanguard University:</i> | | | | |
| Vista: Novel Approaches for Leveraging Tomorrow's Solutions with Today's Answers in Improving Education (Vista) | 84.031S | (1) | - | 17,552 |
| Subtotal Higher Education Institutional Aid | | | - | 1,002,164 |
| <i>Direct:</i> | | | | |
| Higher Education Emergency Relief Fund (HEERF) | | | | |
| COVID-19 HEERF - Student Aid OCC | 84.425E | (1) | - | 1,779,000 |
| COVID-19 HEERF - Student Aid GWC | 84.425E | (1) | - | 1,258,250 |
| COVID-19 HEERF - Student Aid CCC | 84.425E | (1) | - | 154,000 |
| COVID-19 HEERF - Institutional OCC | 84.425F | (1) | - | 1,790,793 |
| COVID-19 HEERF - Institutional GWC | 84.425F | (1) | - | 311,785 |
| COVID-19 HEERF - Institutional CCC | 84.425F | (1) | - | 27,645 |
| COVID-19 HEERF - Minority Serving Institutions GWC | 84.425L | (1) | - | 301,539 |
| Subtotal Higher Education Emergency Relief Fund | | | - | 5,623,012 |

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Sub-recipient Award Amount | Federal Expenditures |
|--|---------------------------|--|----------------------------------|-------------------------|
| <i>Passed through California Community Colleges Chancellor's Office:</i> | | | | |
| Career and Technical Education - Basic Grants to States (CTE): | | | | |
| CTE Title I, Part C - Carl D. Perkins FYE | 84.048A | (1) | \$ - | \$ 1,420,418 |
| CTE Transitions | 84.048A | (1) | - | 137,356 |
| Subtotal CTE Program | | | - | 1,557,774 |
| <i>Passed through California Department of Education:</i> | | | | |
| Adult Education - Basic Grants to States | 84.002 | (1) | - | 47,940 |
| Total United States Department of Education | | | - | 56,226,717 |
| <u>United States Department of Agriculture</u> | | | | |
| <i>Passed through California Department of Education:</i> | | | | |
| Child and Adult Care Food Program | 10.558 | (1) | - | 45,421 |
| Total United States Department of Agriculture | | | - | 45,421 |
| <u>United States Department of Health and Human Services</u> | | | | |
| <i>Passed through California Community Colleges Chancellor's Office:</i> | | | | |
| Temporary Assistance for Needy Families (TANF) Program: | | | | |
| Temporary Assistance for Needy Families (OCC) | 93.558 | (1) | - | 56,676 |
| Temporary Assistance for Needy Families (GWC) | 93.558 | (1) | - | 42,327 |
| Temporary Assistance for Needy Families (CCC) | 93.558 | (1) | - | 33,352 |
| Subtotal TANF Program | | | - | 132,355 |
| <i>Passed through California Department of Education:</i> | | | | |
| Childcare Development Fund Cluster: | | | | |
| Child Care and Development Block Grant | 93.575 | 15136 | - | 29,843 |
| Child Care and Development Fund | 93.596 | 13609 | - | 64,919 |
| <i>Passed through Yosemite Community College District:</i> | | | | |
| Child Development Training Consortium | 93.575 | (1) | - | 23,803 |
| Subtotal Childcare Development Fund Cluster | | | - | 118,565 |
| <i>Passed through Regents of the University of California:</i> | | | | |
| Biomedical Research and Research Training | | | | |
| Orange County Bridges to the Baccalaureate Program | 93.859 | 2018-3636 | - | 5,153 |
| Total United States Department of Health and Human Services | | | - | 256,073 |

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Sub-recipient Award Amount | Federal Expenditures |
|--|---------------------------|--|----------------------------------|-------------------------|
| <u>National Science Foundation (NSF) - Research and Development Cluster</u> | | | | |
| <i>Direct:</i> | | | | |
| Cyberup! Digital Forensics and Incident Response | 47.076 | (1) | \$ - | \$ 51,831 |
| <i>Passed through from the Regents of the University of California</i> | | | | |
| Improving the Transition of Community College Students into University STEM | 47.076 | (1) | - | 1,767 |
| Total National Science Foundation - Research and Development Cluster | | | - | 53,598 |
| <u>United States Department of Defense</u> | | | | |
| <i>Direct:</i> | | | | |
| Cybersecurity Workforce Education - FY17 CAE Regional Resource Center's Activities | 12.902 | (1) | - | 14,889 |
| DoD IASP Cybersecurity Workforce Education | 12.902 | (1) | - | 37,960 |
| GenCyber Grants Program | 12.903 | (1) | - | 43,472 |
| Total United States Department of Defense | | | - | 96,321 |
| <u>United States Department of Homeland Security</u> | | | | |
| <i>Passed through California Department of Parks and Recreation</i> | | | | |
| Aquatic Center Grant - Whaler | 97.012 | C8956316 | - | 26,674 |
| Total United States Department of Homeland Security | | | - | 26,674 |
| <u>United States Department of Labor</u> | | | | |
| <i>Passed through Los Rios Community College</i> | | | | |
| <i>District:</i> | | | | |
| California Cybersecurity Apprenticeship Program | 17.268 | (1) | - | 50,000 |
| Total United States Department of Labor | | | - | 50,000 |
| Total Federal Program Expenditures | | | \$ - | \$ 56,754,804 |
| Reconciliation to Federal Revenue: | | | | |
| Total Expenditures Federal Programs | | | | \$ 56,754,804 |
| Perkins Loan Program, loan balance outstanding | 84.038 | | | (1,236,469) |
| Payment of Perkins Loan and Interest to Department of Education | 84.038 | | | (281,772) |
| Total Federal Program Revenue | | | | \$ 55,236,563 |

(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 AWARDS
For the Year Ended June 30, 2020

| <u>Program Name</u> | <u>Program Revenues</u> | | | | | <u>Total</u> | <u>Total Program Expenditures</u> |
|---|-------------------------|------------------------------------|----------------------------|-------------------------|-------------------------|--------------|-----------------------------------|
| | <u>Cash Received</u> | <u>Prior Year Unearned Revenue</u> | <u>Accounts Receivable</u> | <u>Unearned Revenue</u> | <u>Accounts Payable</u> | | |
| State categorical aid programs: | | | | | | | |
| AEBG Adult Block grant | \$ 1,614,048 | \$ 1,977,917 | \$ - | \$ 1,802,824 | \$ - | \$ 1,789,141 | \$ 1,789,141 |
| Board financial assistance admin allowance | 1,529,755 | - | - | 115,368 | - | 1,414,387 | 1,414,387 |
| Campus safety & sexual assault | - | 54,652 | - | 40,923 | - | 13,729 | 13,729 |
| Cal grant | 3,897,805 | - | 55,966 | - | 1,165 | 3,952,606 | 3,952,606 |
| California college promise | 2,918,009 | 1,160,296 | - | 1,763,241 | - | 2,315,064 | 2,315,064 |
| California cybersecurity apprenticeship program (CCAP) | - | 123,345 | 234,900 | - | - | 358,245 | 358,245 |
| NEXTUP | 536,746 | - | 1,772 | 433 | - | 538,085 | 538,085 |
| Child and adult care food program | 1,960 | - | - | - | - | 1,960 | 1,960 |
| Child development: California state preschool program | 185,765 | - | - | - | - | 185,765 | 185,765 |
| Child development: General child care & development program | 288,336 | - | - | - | - | 288,336 | 288,336 |
| Coast mental health impact | - | - | 165,610 | - | - | 165,610 | 165,610 |
| CTE data unlocked initiative | - | 39,509 | - | 39,384 | - | 125 | 125 |
| Disabled student programs & service (DSPS) | 3,225,490 | - | - | 11,816 | - | 3,213,674 | 3,213,674 |
| DSN advanced transportation | 280,000 | 23,007 | - | 82,127 | - | 220,880 | 220,880 |
| DSN health | 224,800 | - | - | 17,894 | - | 206,906 | 206,906 |
| DSN retail hospitality | 160,000 | 17,616 | 120,000 | 42,777 | - | 254,839 | 254,839 |
| Extended opportunity programs and services (EOPS) | 3,398,288 | - | - | - | - | 3,398,288 | 3,398,288 |
| ED futures teacher prep pipeline | 9,373 | 8,697 | - | - | - | 18,070 | 18,070 |
| Equal employment opportunity | 50,000 | 2,968 | - | 27,652 | - | 25,316 | 25,317 |
| Improving Online CTE Pathways | 7,500 | - | 155,728 | - | - | 163,228 | 163,228 |
| Incarcerated Student Reentry CCC Total | 45,454 | - | - | 29,107 | - | 16,347 | 16,347 |
| Institutional Effectiveness IEPI | 195,000 | - | - | 163,240 | - | 31,760 | 31,760 |
| ISPIC - Nasdaq Project OCC | - | - | 2,336 | - | - | 2,336 | 2,336 |
| Key Talent Admin & Sector-OCC | 10,000 | - | - | 638 | - | 9,362 | 9,362 |

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
For the Year Ended June 30, 2020

| Program Name | Program Revenues | | | | | | Total Program Expenditures |
|---|----------------------|-----------------------------|---------------------|----------------------|------------------|----------------------|----------------------------|
| | Cash Received | Prior Year Unearned Revenue | Accounts Receivable | Unearned Revenue | Accounts Payable | Total | |
| Cooperative agency resource education (CARE) | \$ 278,833 | \$ - | \$ - | \$ - | \$ - | \$ 278,833 | \$ 278,833 |
| CalWORKs | 711,718 | - | - | 958 | - | 710,760 | 710,760 |
| CalWORKS Reg Efforts Dollars | 2,607 | - | - | 1,603 | - | 1,004 | 1,004 |
| Financial aid technology 19/20 | 117,487 | - | - | - | - | 117,487 | 117,487 |
| Financial aid technology 18/19 | - | 269,875 | - | 61,293 | - | 208,582 | 208,582 |
| Guided pathways | 922,110 | 1,507,300 | - | 1,541,429 | - | 887,981 | 887,981 |
| Hunger free campus | 125,931 | 230,672 | - | 126,051 | - | 230,552 | 230,552 |
| Mental health support | - | 249,692 | - | 33,232 | - | 216,459 | 216,459 |
| Mental health training CA law enforcement | 179,541 | 81,031 | 39,898 | 139,917 | - | 160,553 | 160,553 |
| Nonresident dreamer emergency aid | - | 24,161 | - | - | 3,348 | 20,813 | 20,813 |
| Nursing education - AS RN enrollment growth retention | 103,290 | - | - | 63,552 | - | 39,738 | 39,738 |
| Peace Office Standards & Training (POST) Diversity | 5,762 | - | 6,883 | - | - | 12,645 | 12,645 |
| Peace Office Standards & Training (POST) Use of Force | 13,419 | - | 21,602 | - | - | 35,021 | 35,021 |
| UMOJA | 46,000 | - | - | 25,060 | - | 20,940 | 20,940 |
| Professional development for classified employees | - | 150,371 | - | 126,377 | - | 23,994 | 23,994 |
| State hospitals (Fairview handicapped) | 178,762 | - | - | - | - | 178,762 | 178,762 |
| Strong workforce program - Local | 3,099,290 | 3,516,712 | - | 3,597,351 | - | 3,018,651 | 3,018,651 |
| Strong workforce program - Regional | 1,208,598 | - | 786,471 | 43,644 | - | 1,951,425 | 1,951,425 |
| Student equity and achievement CY | 11,364,719 | - | - | 5,870,240 | - | 5,494,479 | 5,494,479 |
| Student equity and achievement PY | - | 5,318,915 | - | 2,453 | - | 5,316,462 | 5,316,462 |
| Student success completion | 2,951,329 | 3,687 | - | - | 34,974 | 2,920,042 | 2,920,042 |
| Tobacco Cessation Services OCC | - | - | 2,914 | - | - | 2,914 | 2,914 |
| Veteran resource center 17/18 | - | 26,226 | - | - | 12 | 26,214 | 26,214 |
| Veteran resource center 18/19 | - | 156,323 | - | 41,256 | - | 115,067 | 115,067 |
| Veteran resource center 19/20 | 296,173 | - | - | 296,173 | - | - | - |
| Veteran resource center GWC | 40,000 | - | 9,300 | - | - | 49,300 | 49,300 |
| Total state categorical aid programs | \$ 40,223,898 | \$ 14,942,971 | \$ 1,603,382 | \$ 16,108,013 | \$ 39,499 | \$ 40,622,739 | \$ 40,622,739 |

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
APPORTIONMENT ANNUAL ATTENDANCE
For the year ended June 30, 2020

| <u>Categories</u> | <u>Reported Data</u> | <u>Audit Adjustments</u> | <u>Revised Data</u> |
|---|--------------------------|------------------------------|---------------------|
| A. Summer Intersession (Summer 2019 Only) | | | |
| 1. Noncredit | 87 | - | 87 |
| 2. Credit | 1,010 | - | 1,010 |
| B. Summer Intersession (Summer 2020 - Prior To July 1, 2020) | | | - |
| 1. Noncredit | - | - | - |
| 2. Credit | 1,005 | - | 1,005 |
| C. Primary Terms (Exclusive of Summer Intersession) | | | - |
| 1. Census Procedure Courses | | | - |
| (a) Weekly Census Contact Hours | 17,489 | - | 17,489 |
| (b) Daily Census Contact Hours | 1,031 | - | 1,031 |
| 2. Actual Hours of Attendance Procedure Courses | | | - |
| (a) Noncredit | 601 | - | 601 |
| (b) Credit | 1,183 | - | 1,183 |
| 3. Independent Study/Work Experience | | | - |
| (a) Weekly Census Contact Hours | 4,275 | - | 4,275 |
| (b) Daily Census Contact Hours | 2,157 | - | 2,157 |
| (c) Noncredit Independent Study/Distance Education Courses | - | - | - |
| D. Total FTES | 28,838 | - | 28,838 |
| Supplemental Information: | | | |
| E. In-service Training Courses (FTES) | 15 | - | 15 |
| F. Basic Skills Courses and Immigrant Education | | | - |
| (a) Noncredit | 553 | - | 553 |
| (b) Credit | 789 | - | 789 |

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
(CCFS-311) WITH AUDITED FINANCIAL STATEMENTS
June 30, 2020

| | <u>General Fund</u> | <u>Cafeteria Fund</u> | <u>Other Special Revenue Fund</u> | <u>Total</u> |
|---|-------------------------|---------------------------|---|----------------------|
| Annual Financial and Budget Report (CCFS-311) ending balances at June 30, 2020 | \$ 26,369,120 | \$ 228,925 | \$ 6,102,349 | \$ 32,700,394 |
| Adjustment to federal expenditures | <u>1,172,071</u> | <u>(386,862)</u> | <u>(173,070)</u> | <u>612,139</u> |
| Audited ending balances at June 30, 2020 | <u>\$ 27,541,191</u> | <u>\$ (157,937)</u> | <u>\$ 5,929,279</u> | <u>\$ 33,312,533</u> |

There were no adjustments to any other funds of the District.

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
June 30, 2020

| | | |
|---|--------------------|-----------------|
| General fund balance | | \$ 26,369,120 |
| Bond interest and redemption fund balance | | 46,470,095 |
| Capital outlay fund balance | | 18,505,611 |
| Measure M - Bond construction funds balance | | 236,341,205 |
| Self-insurance fund balance | \$ 128,126,249 | |
| Amount reported as OPEB plan fund balance | (83,689,534) | |
| Incurred but not reported liability | <u>(3,518,790)</u> | |
| Self-insurance fund balance - revised | | 40,917,925 |
| All other funds | | 9,367,583 |
| Total fund balances - business-type activity funds | | 377,971,539 |
| Adjustment for revised Federal expenditures | | 612,139 |
| Total adjusted fund balances - business-type activity funds | | 378,583,678 |

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. 10,687,500

Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Net capital assets of \$5,078,250 is already recorded in other governmental funds. Capital assets, net of accumulate depreciation are added to total net assets. 779,997,010

Deferred charges on refunding debt are recorded as deferred outflows and are amortized over the life of the refunded debt. 23,334,785

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. 77,489,230

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. (8,172,913)

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
June 30, 2020

| | |
|--|-------------------------|
| 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. | \$ (23,237,301) |
| The liability of employers contributing for the Medicare premium payment plan. | (798,610) |
| The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension liabilities. | (276,820,266) |
| 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. | (21,337,227) |
| Interest expense related to bonds incurred through June 30, 2020 is accrued as a current liability on the statement of net position which reduces the total net assets reported. | (14,127,459) |
| The liability for STRS Early Retirement Incentive Program, established in 2020 and to be paid in fiscal year 2021 | (2,076,377) |
| The liability of employers contributing for the Supplementary Retirement Plan administered by PARS | <u>(6,985,452)</u> |
| Total net position - business-type activities | <u>\$ (126,010,731)</u> |

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the year ended June 30, 2020

| | 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 | Adjust Adjustments | Revised Data | Reported Data | Adjust Adjustments | Revised Data |
| <u>Academic Salaries</u> | | | | | | | |
| Instructional salaries - Contract or regular | 1100 | \$ 40,910,685 | \$ - | \$ 40,910,685 | \$ 40,910,685 | \$ - | \$ 40,910,685 |
| Instructional salaries - Other | 1300 | 32,220,344 | - | 32,220,344 | 32,220,344 | - | 32,220,344 |
| Total instructional salaries | | 73,131,029 | - | 73,131,029 | 73,131,029 | - | 73,131,029 |
| Non-instructional salaries - Contract or regular | 1200 | - | - | - | 18,355,870 | - | 18,355,870 |
| Non-instructional salaries - Other | 1400 | - | - | - | 2,774,872 | - | 2,774,872 |
| Total non-instructional salaries | | - | - | - | 21,130,742 | - | 21,130,742 |
| Total academic salaries | | 73,131,029 | - | 73,131,029 | 94,261,771 | - | 94,261,771 |
| <u>Classified Salaries</u> | | | | | | | |
| Non-instructional salaries - Regular status | 2100 | - | - | - | 40,973,270 | - | 40,973,270 |
| Non-instructional salaries - Other | 2300 | - | - | - | 2,128,885 | - | 2,128,885 |
| Total non-instructional salaries | | - | - | - | 43,102,155 | - | 43,102,155 |
| Instructional aides - Regular status | 2200 | 4,010,834 | - | 4,010,834 | 4,010,834 | - | 4,010,834 |
| Instructional aides - Other | 2400 | 699,654 | - | 699,654 | 699,703 | - | 699,703 |
| Total instructional aides | | 4,710,488 | - | 4,710,488 | 4,710,537 | - | 4,710,537 |
| Total classified salaries | | 4,710,488 | - | 4,710,488 | 47,812,692 | - | 47,812,692 |
| Employee benefits | 3000 | 35,994,833 | - | 35,994,833 | 76,203,073 | - | 76,203,073 |
| Supplies and materials | 4000 | - | - | - | 1,537,626 | - | 1,537,626 |
| Other operating expenses | 5000 | - | - | - | 16,910,716 | - | 16,910,716 |
| Equipment replacements | 6420 | - | - | - | - | - | - |
| Total expenditures prior to exclusions | | \$ 113,836,350 | \$ - | \$ 113,836,350 | \$ 236,725,878 | \$ - | \$ 236,725,878 |

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the year ended June 30, 2020

| Exclusions | 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 | Adjust Adjustments | Revised Data | Reported Data | Adjust Adjustments | Revised Data |
| <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 | - | - | - | 249,676 | - | 249,676 |
| Student transportation | 6491 | - | - | - | 367,295 | - | 367,295 |
| Non-instructional staff-retirees' benefits & retirement incentives | 6740 | - | - | - | 6,011,968 | - | 6,011,968 |
| <u>Objects to exclude</u> | | | | | | | |
| Rents and leases | 5060 | - | - | - | 1,160,892 | - | 1,160,892 |
| Lottery expenditures | | | | | | | |
| Academic salaries | 1000 | - | - | - | 2,597,507 | - | 2,597,507 |
| Classified Salaries | 2000 | - | - | - | - | - | - |
| Employee benefits | 3000 | - | - | - | 878,153 | - | 878,153 |
| Software | 4100 | - | - | - | - | - | - |
| Books, magazines, & periodicals | 4200 | - | - | - | - | - | - |
| Instructional supplies & materials | 4300 | - | - | - | - | - | - |
| Noninstructional supplies & materials | 4400 | - | - | - | - | - | - |
| Other operating expenses and services | 5000 | - | - | - | 2,027,589 | - | 2,027,589 |
| Capital outlay | 6000 | - | - | - | - | - | - |
| Library books | 6300 | - | - | - | - | - | - |
| Equipment - Additional | 6410 | - | - | - | - | - | - |
| Equipment - Replacement | 6420 | - | - | - | - | - | - |
| Other outgo | 7000 | - | - | - | - | - | - |
| Total exclusions | | <u>3,237,214</u> | <u>-</u> | <u>3,237,214</u> | <u>16,530,294</u> | <u>-</u> | <u>16,530,294</u> |
| Total for ECS 84362, 50% Law | | <u>\$ 110,599,136</u> | <u>\$ -</u> | <u>\$ 110,599,136</u> | <u>\$ 220,195,584</u> | <u>\$ -</u> | <u>\$ 220,195,584</u> |
| Percent of CEE (instructional salary cost/total CEE) | | <u>50.23%</u> | <u>0.00%</u> | <u>50.23%</u> | <u>100.00%</u> | <u>0.00%</u> | <u>100.00%</u> |
| 50% of current expense of education | | | | | <u>\$ 110,097,792</u> | <u>\$ -</u> | <u>\$ 110,097,792</u> |

See the accompanying note to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT
 PROPOSITION 55 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
 For the year ended June 30, 2020

| | | | | | | |
|----------------------------|--------------------------------|--------------------------------------|--|---|----------------------------------|----------------------|
| EPA Proceeds: | | \$ 15,960,621 | | | | |
| | <u>Activity Classification</u> | <u>Activity Code (0100-5900)</u> | <u>Salaries and Benefits (1000-3000)</u> | <u>Operating Expenses (4000-5000)</u> | <u>Capital Outlay (6000)</u> | <u>Total</u> |
| Instructional Activities | | 0100-5900 | \$ 15,960,621 | \$ - | \$ - | \$ 15,960,621 |
| Total Expenditures | | | <u>\$ 15,960,621</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 15,960,621</u> |
| Revenues Less Expenditures | | | | | | <u>\$ -</u> |

See the accompanying note to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
June 30, 2020

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Expenditures of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Coast Community College District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the 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). 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 has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The federal student loan program listed below is administered directly by the 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, 2020 consists of:

| | <u>CFDA Number</u> | <u>Amount Outstanding</u> |
|---------------|------------------------|-------------------------------|
| Perkins Loans | 84.038 | <u>\$ 1,236,469</u> |

B - Schedule of State Financial Awards

The Schedule of State Financial Awards was prepared on the modified accrual basis of accounting. The information in this schedule is presented to comply with reporting requirements of the California Community College Chancellor's Office.

C - Schedule of Workload Measures for State General Apportionment

Full-time equivalent students is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

D - Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances to the audited financial statements.

E - Reconciliation of Governmental Funds to the Statement of Net Position

The schedule provides the information necessary to reconcile the fund balance to the audited financial statements.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
June 30, 2020

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

F - Reconciliation of ECS 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

G – Proposition 55 Education Protection Account (EPA) Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes how the EPA proceeds were spent.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

Report on Compliance with State Laws and Regulations

We have audited the compliance of Coast Community College District with the types of compliance requirements described in Section 400 of the *California State Chancellor's Office's California Community College Contracted District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2020:

- SCFF Data Management Control Environment
- Salaries of Classroom Instructors (50 Percent Law)
- Apportionment for Activities Funded from Other Sources
- Student Centered Funding Formula Base Allocations: FTES
- Residency Determination for Credit Courses
- Students Actively Enrolled
- Dual Enrollment (CCAP and Non-CCAP)
- Scheduled Maintenance Program
- Gann Limit Calculation
- Open Enrollment
- Proposition 39 Clean Energy Funds
- Apprenticeship Related and Supplemental Instruction (RSI) Funds
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D and 51 State Bond Funded Projects
- Education Protection Account Funds

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above

Auditor's Responsibility

Our responsibility is to express an opinion on Coast Community College District's compliance with state laws and regulations as listed above 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 *California State Chancellor's Office's California Community College Contracted District Audit Manual (Audit Manual)*. Those standards and the Audit Manual require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Coast Community College District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Coast Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

(Continued)

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide legal determination of Coast Community College District's compliance with those requirements.

Opinion with State Laws and Regulations

In our opinion, Coast Community College District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations for the year ended June 30, 2020.

Purpose of this Report

This report is intended solely to describe the scope of our testing of compliance and the results of that testing based on requirements of the *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



Crowe LLP

Sacramento, California
February 22, 2021

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 business-type activities, the fiduciary activities and the discretely presented component units of Coast Community College District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements and have issued our report thereon dated February 22, 2021. The financial statements of Coast Community College District Foundation, Coastline Community College Foundation, Golden West College Foundation, Orange Coast College Foundation, and Coast Community College District Enterprise Corporation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Coast Community College District Foundation, Coastline Community College Foundation, Golden West College Foundation, Orange Coast College Foundation, and Coast Community College District Enterprise Corporation.

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) as a basis for designing 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 entity's financial statements will not be prevented or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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


Crowe LLP

Sacramento, California
February 22, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE

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 compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Coast Community College District's major federal programs for the year ended June 30, 2020. Coast Community College 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 Coast Community College 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 Coast Community College 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 compliance for each major federal program. However, our audit does not provide a legal determination of Coast Community College District's compliance.

Opinion on Each Major Federal Program

In our opinion, Coast Community College 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, 2020.

(Continued)

Report on Internal Control Over Compliance

Management of Coast Community College 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 Coast Community College 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 Coast Community College 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.

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.


Crowe LLP

Sacramento, California
February 22, 2021

FINDINGS AND RECOMMENDATIONS

COAST COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2020

FINANCIAL STATEMENTS

| | | | |
|--|------------|-----------------------------|--|
| Type of auditor's report issued | Unmodified | | |
| Internal control over financial reporting: | | | |
| Material weakness(es) identified? | _____ Yes | _____ X _____ No | |
| Significant deficiency(ies) identified not considered to be material weakness(es)? | _____ Yes | _____ X _____ None reported | |
| Noncompliance material to financial statements noted? | _____ Yes | _____ X _____ No | |

FEDERAL AWARDS

| | | | |
|--|------------|-----------------------------|--|
| Internal control over major federal programs: | | | |
| Material weakness(es) identified? | _____ Yes | _____ X _____ No | |
| Significant deficiency(ies) identified not considered to be material weakness(es)? | _____ Yes | _____ X _____ None reported | |
| Type of auditor's report issued on compliance for major 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 programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|--|---|
| 84.007, 84.033, 84.038, 84.063, and 84.268 84.425E, 84.425F and 84.425L | Student Financial Aid Cluster COVID 19 - Higher Education Emergency Relief Fund |

| | | |
|--|-------------------|----------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$ | 1,702,644 |
| Auditee qualified as low-risk auditee? | _____ X _____ Yes | _____ _____ No |

STATE AWARDS

| | |
|---|------------|
| Type of auditor's report issued on compliance for state programs: | Unmodified |
|---|------------|

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

COAST COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2020

Finding 2019-001

Condition: The Measure M General Obligation Bond Fund incurred expenses related to services and equipment received prior to June 30, 2019 that were not accrued.

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

Current Status: Implemented.

CONTINUING DISCLOSURE INFORMATION

COAST COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 For the year ended June 30, 2020

| | 2021 <u>(Budgeted)</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|-------------------------------|---------------------------|-------------------------|-----------------------|-----------------------|
| Total revenues | \$ 284,520,675 | \$ 290,685,455 | \$ 275,728,899 | \$ 260,484,981 |
| Total expenditures | 292,074,800 | 298,402,515 | 278,616,278 | 266,123,865 |
| Total other sources | <u>1,143,493</u> | <u>(1,043,138)</u> | <u>1,667,540</u> | <u>1,095,176</u> |
| Change in fund balance | (6,410,632) | (8,760,198) | (1,219,839) | (4,543,708) |
| Ending fund balance | <u>\$ 19,958,488</u> | <u>\$ 26,369,120</u> | <u>\$ 35,129,318</u> | <u>\$ 36,349,157</u> |
| Available reserve | <u>\$ 14,603,740</u> | <u>\$ 24,156,579</u> | <u>\$ 30,602,488</u> | <u>\$ 31,141,380</u> |
| Available reserve % | <u>5.00%</u> | <u>8.10%</u> | <u>10.98%</u> | <u>11.70%</u> |
| Full-time equivalent students | <u>26,838</u> | <u>28,838</u> | <u>30,542</u> | <u>32,626</u> |
| Total long term debt | <u>\$ 1,018,696,601</u> | <u>\$ 1,047,546,111</u> | <u>\$ 886,237,416</u> | <u>\$ 917,475,338</u> |

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.

COAST COMMUNITY COLLEGE DISTRICT
2019-2020 LARGEST LOCAL SECURED TAXPAYERS (UNAUDITED)
June 30, 2020

2019-2020 Largest Local Secured Taxpayers

| <u>Property Owner</u> | <u>Land Use</u> | 2019-2020 <u>Assessed</u> <u>Valuation</u> | <u>% of</u> <u>Total (1)</u> |
|--|-----------------|--|---------------------------------|
| The Irvine Company | Commercial | \$ 1,448,896,738 | 1.01% |
| South Coast Plaza | Commercial | 395,938,388 | 0.28% |
| Bella Terra Associates LLC | Commercial | 353,969,088 | 0.25% |
| PH Finance LLC | Commercial | 294,840,518 | 0.21% |
| SoCal Holding LLC | Oil & Gas | 274,823,650 | 0.19% |
| Villas at Fashion Island LLC | Apartments | 262,841,532 | 0.18% |
| PR II/MCC South Coast Property Owner LLC | Commercial | 255,443,164 | 0.18% |
| PCH Beach Resort LLC | Commercial | 219,134,973 | 0.15% |
| United Dominion Realty LP | Apartments | 218,959,110 | 0.15% |
| DCO Pacific City LLC | Apartments | 215,336,926 | 0.15% |
| Hyundai Motor America | Commercial | 202,246,711 | 0.14% |
| 520 Newport Center Drive LLC | Commercial | 177,543,021 | 0.12% |
| JKS-CMFV LLC | Commercial | 176,670,408 | 0.12% |
| 650 Newport Center Drive LLC | Commercial | 160,971,896 | 0.11% |
| S-Tract LLC | Commercial | 153,921,019 | 0.11% |
| Interinsurance Exchange of the Automobile Club of America | Commercial | 143,058,119 | 0.10% |
| Westminister Mall LLC | Commercial | 141,347,012 | 0.10% |
| UDR Newport Beach North LP | Apartments | 138,091,341 | 0.10% |
| Elan Multifamily LLC | Apartments | 136,292,400 | 0.09% |
| Monogram Residential Huntington Beach | Apartments | <u>135,585,637</u> | <u>0.09%</u> |
| | | <u>\$ 5,505,911,651</u> | 3.83% |

(1) The District's fiscal year 2019/20 Local Secured Assessed Valuation: \$143,728,625,878.

Source: California Municipal Statistics. Inc.

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
June 30, 2020

| | General Fund | | Variance Favorable (Unfavorable) |
|---|---------------------|----------------------|--|
| | Budget | Actual | |
| Revenue | | | |
| Revenue from federal savings | | | |
| Higher Education act | \$ 8,412,142 | \$ 3,860,865 | \$ (4,551,277) |
| Temporary Assistance for Needy Families (TANF) | 132,357 | 132,355 | (2) |
| Career and Technical Education act | 1,584,005 | 1,557,774 | (26,231) |
| Other federal reserve | 2,075,529 | 986,303 | (1,089,226) |
| Revenue from state sources | | | - |
| General apportionments | 45,110,381 | \$ 42,942,504 | (2,167,877) |
| Categorical apportionments | 48,203,983 | 32,861,758 | (15,342,225) |
| Other state revenues | 17,830,606 | 27,583,231 | 9,752,625 |
| Revenue from local sources | | | |
| Property taxes | 137,960,000 | 143,240,707 | 5,280,707 |
| Interest and investment income | 1,048,310 | 1,094,699 | 46,389 |
| Student fees and charges | 35,330,759 | 32,377,032 | (2,953,727) |
| Other local revenue | 2,974,593 | 4,048,227 | 1,073,634 |
| Total revenue | <u>300,662,665</u> | <u>290,685,455</u> | <u>(9,977,210)</u> |
| Expenditures | | | |
| Academic salaries | 98,823,308 | 102,226,050 | (3,402,742) |
| Classified salaries | 71,379,365 | 67,516,100 | 3,863,265 |
| Employee benefits | 73,808,442 | 88,899,059 | (15,090,617) |
| Supplies and materials | 10,392,189 | 4,518,232 | 5,873,957 |
| Other operating expenses and services | 45,739,050 | 24,335,019 | 21,404,031 |
| Capital outlay | 5,421,453 | 3,704,865 | 1,716,588 |
| Other uses | 9,580,046 | 7,203,190 | 2,376,856 |
| Total expenditures | <u>315,143,853</u> | <u>298,402,515</u> | <u>16,741,338</u> |
| Excess (deficiency) of revenues over expenditures | <u>(14,481,188)</u> | <u>(7,717,060)</u> | <u>6,764,128</u> |
| Other financing sources (uses) | | | |
| Interfund transfers in | 315,487 | 967,702 | 652,215 |
| Interfund transfers out | (669,892) | (2,010,840) | (1,340,948) |
| Total other funding sources (uses) | <u>(354,405)</u> | <u>(1,043,138)</u> | <u>(688,733)</u> |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | <u>(14,835,593)</u> | <u>(8,760,198)</u> | <u>6,075,395</u> |
| Fund balance, beginning of year | | <u>35,129,318</u> | |
| Fund balance end of year | | <u>\$ 26,369,120</u> | |