

**MIRACOSTA  
COMMUNITY COLLEGE DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2012**

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
MiraCosta Community College District  
Oceanside, California

We have audited the accompanying basic financial statements of MiraCosta Community College District (the District) as of and for the year ended June 30, 2012, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of MiraCosta Community College District as of June 30, 2012, and the respective changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the supplementary information, such as the Management's Discussion and Analysis on pages 4 through 15 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 48, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133) and other supplementary information listed in the Table of Contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Vaurinek, Time, Day & Co., LLP.

Rancho Cucamonga, California  
December 10, 2012



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## **INTRODUCTION**

The following discussion and analysis provides an overview of the financial position and activities of MiraCosta Community College District (the District) for the year ended June 30, 2012. 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 was required to implement the reporting standards of Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 35 beginning with fiscal year 2002-2003, using the Business-Type Activity (BTA) model. The California Community College Chancellor's Office, through its Fiscal Standards and Accountability Committee, recommended that all community college districts implement the new reporting standards under the BTA model. To comply with the recommendation of the Chancellor's Office and to report in a manner consistent with other California community college districts, the District has adopted the BTA reporting model for these financial statements.

MiraCosta Community College District is a public two-year community college. The main MiraCosta campus is located in Oceanside, California. The College also operates a San Elijo campus located in Cardiff-by-the-Sea, California, as well as a Community Learning Center located in Oceanside, California. MiraCosta students may choose from several associate degree and certificate programs or complete courses toward the first two years of a bachelor's degree program.

## **FINANCIAL HIGHLIGHTS**

As required by the GASB Statements No. 34 and No. 35 reporting model, this report consists of three basic financial statements that provide information on the District's governmental activities as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

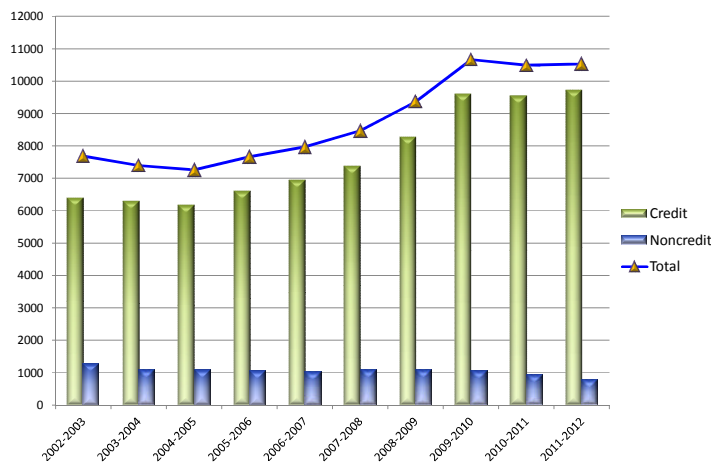
JUNE 30, 2012

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### Full-Time Equivalent Student Growth

During 2011-2012, total full-time equivalent students (FTES) increased from 10,494 to 10,525 for credit and non-credit courses. Credit FTES increased by 2 percent while noncredit FTES decreased by 16.8 percent due to reduced class sections. Noncredit avocational class sections were reduced due to policy direction from the California Community Colleges Chancellor's Office.

### MiraCosta FTES: 10-year Trend - Actuals



### Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Assets is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Assets presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current), and net assets (assets minus liabilities).

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the District.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

**JUNE 30, 2012**

The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition of the District; the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The Net Assets are divided into three major categories. The first category, invested in capital assets, provides the equity amount in property, plant, and equipment owned by the District. The second category is expendable restricted net assets; these net assets are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets that are available to the District for any lawful purpose of the District.

A Statement of Net Assets as of June 30, 2012 and 2011, is summarized below:

(Amounts in thousands)

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current Assets		
Cash and investments	\$ 26,609	\$ 28,651
Accounts receivable	3,083	2,719
Due from fiduciary funds	9	1
Prepaid expenses	71	52
Total Current Assets	<u>29,772</u>	<u>31,423</u>
Other noncurrent assets	34	140
Capital assets (net)	91,972	94,314
Total Assets	<u>\$ 121,778</u>	<u>\$ 125,877</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 2,873	\$ 3,013
Due to fiduciary funds	9	23
Deferred revenue	3,106	2,258
Current portion of long-term obligations	1,026	998
Total Current Liabilities	<u>7,014</u>	<u>6,292</u>
Long-Term Obligation	<u>7,079</u>	<u>7,208</u>
Total Liabilities	<u>14,093</u>	<u>13,500</u>
<b>NET ASSETS</b>		
Invested in capital assets	88,127	89,489
Restricted	9,016	9,549
Unrestricted	10,542	13,339
Total Net Assets	<u>107,685</u>	<u>112,377</u>
Total Liabilities and Net Assets	<u>\$ 121,778</u>	<u>\$ 125,877</u>



## MIRACOSTA COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2012

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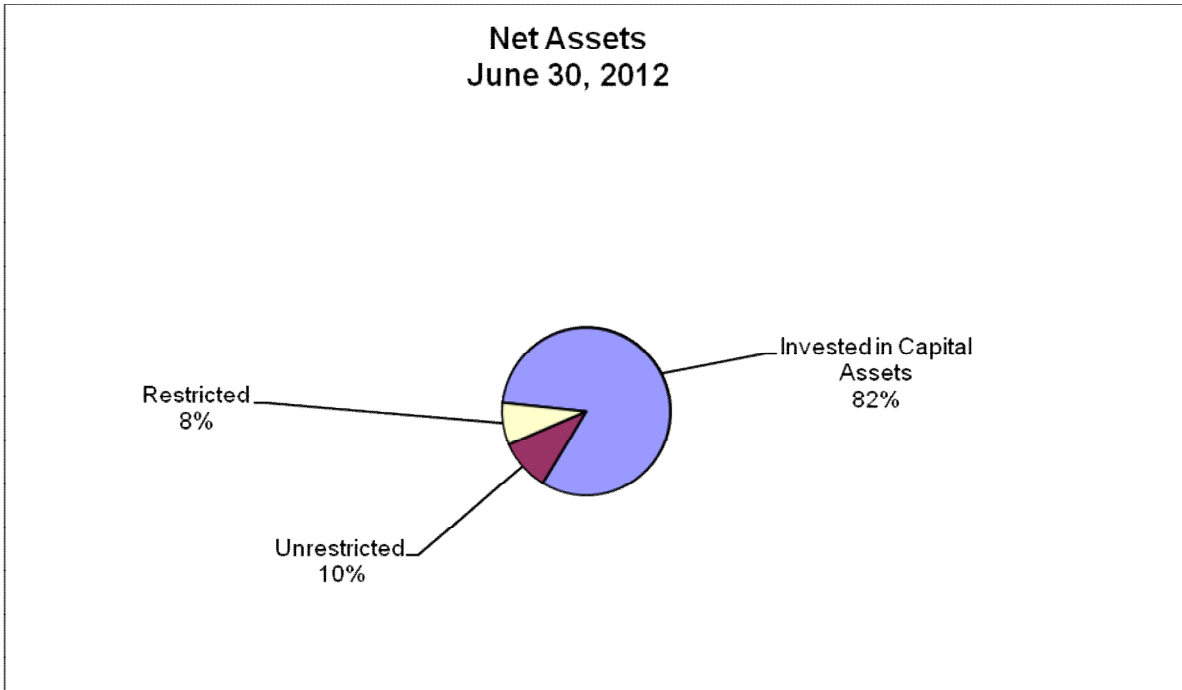
- Cash and investments decreased \$2.0 million over 2011. Cash and investments include cash deposited in the San Diego County Treasury along with investments with fiscal agents related to a lease revenue bond. Additional deposits of funds are held with various financial institutions. The decrease in cash and investments for the 2011-2012 fiscal year is primarily due to an increase in operating expenses. An additional factor impacting cash and investments was the lowered interest rate the District received on pooled investments with the San Diego County Treasury.
- The accounts receivable balance includes receivables for categorical programs and/or grants, lottery proceeds, and 4th quarter interest. Accounts receivable increased \$364 thousand from 2011 due to the increased activities within Community Services and the Gear-Up grant resulting in additional billing to the District.
- Accounts payable and accrued liabilities include June payroll expenses, vendor payables including construction payments for goods and services received prior to June 30, but not paid until the following fiscal year. It reflects an \$140 thousand decrease from the prior year due largely to reductions in construction payables and MiraCosta College Foundation payables.
- Deferred revenue consists of revenue received prior to being earned and includes enrollment fees for summer and fall, State categorical aid, and scheduled maintenance funds. Deferred revenue increased by \$848 thousand due to the increase in tuition from \$36 to \$46 per unit. This increase became effective for summer and fall 2012 enrollment.
- The current portion of long-term obligations reflects the amounts due within one year on the payments for the lease revenue bonds, compensated absences, load banking, and capital lease payment.
- Long-term obligations decreased \$100 thousand and reflect the debt for the lease revenue bonds, long-term compensated absences, Other Postemployment Benefits (OPEB) other than pensions obligation, and the capital lease agreement. The net decrease reflects the ongoing reduction in principal for the lease revenue bonds.
- Net assets include capital assets, net of related debt, debt service and capital projects funds, restricted assets for educational programs, and unrestricted assets. Total net assets decreased \$4.7 million from 2011 primarily from cash and cash equivalents and other noncurrent assets.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)**

**JUNE 30, 2012**

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**Statement of Revenues, Expenses, and Changes in Net Assets**

Change in total net assets as presented on the Statement of Net Assets is based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of this statement is to present the operating and non-operating revenues earned, whether received or not, by the District, the operating and non-operating expenses incurred, whether paid or not, by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this Statement presents the District's results of operations.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Non-operating revenues are those received or pledged for which goods and services are not provided; for example, State appropriations are non-operating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

**JUNE 30, 2012**

The Statement of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2012 and 2011, is summarized below:

(Amounts in thousands)

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Tuition and fees	\$ 11,197	\$ 9,463
Auxiliary sales and charges	281	322
Total Operating Revenues	<u>11,478</u>	<u>9,785</u>
Total Operating Expenses	<u>107,081</u>	<u>105,783</u>
Operating Loss	<u>(95,603)</u>	<u>(95,998)</u>
Nonoperating Revenues (Expenses)		
Grants and contracts	12,685	12,689
Local property taxes	73,365	72,502
State and other revenues	2,552	2,535
Investment income, net	34	41
Transfers from fiduciary funds, net	(5)	97
Other nonoperating revenues	2,524	1,878
Total Nonoperating Revenue (Expenses)	<u>91,155</u>	<u>89,742</u>
Other Revenues, Gains, and Losses		
State revenues, capital	17	1,826
Gain (Loss) on disposal of capital assets	(260)	(8)
Total Other Revenues, Gains, and Losses	<u>(243)</u>	<u>1,818</u>
Net Change in Net Assets	<u>\$ (4,691)</u>	<u>\$ (4,438)</u>

- Tuition and fees are generated by the resident, non-resident, and foreign fees paid by students attending MiraCosta College, including fees such as health fees, parking fees, community services classes, and other related fees. The change in tuition and fees is primarily related to the increased enrollment experienced by Community Services.
- Auxiliary sales and charges decreased \$41 thousand due to declining sales in the bookstore.
- Total operating expenses includes employee salaries and benefits, supplies, operating expenses, and student financial aid. Operating expenses increased by \$1.3 million.
- The change in total non-operating revenues increased \$1.4 million which was primarily due to the increase in local property taxes.

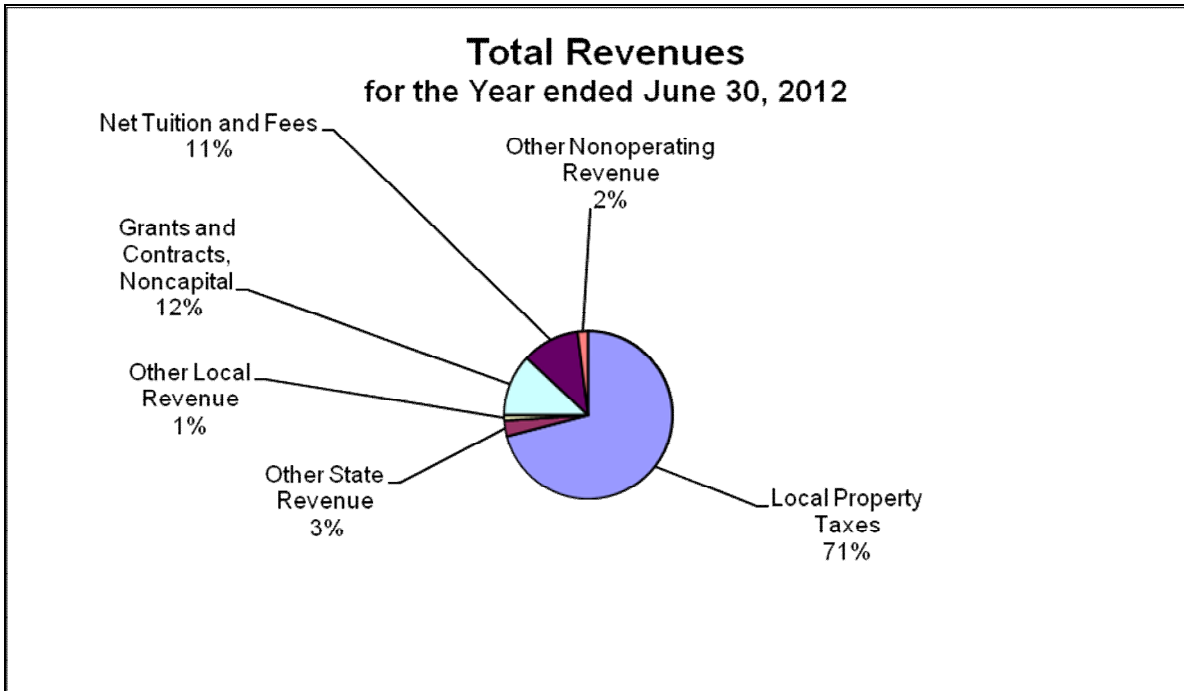
**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)**

**JUNE 30, 2012**

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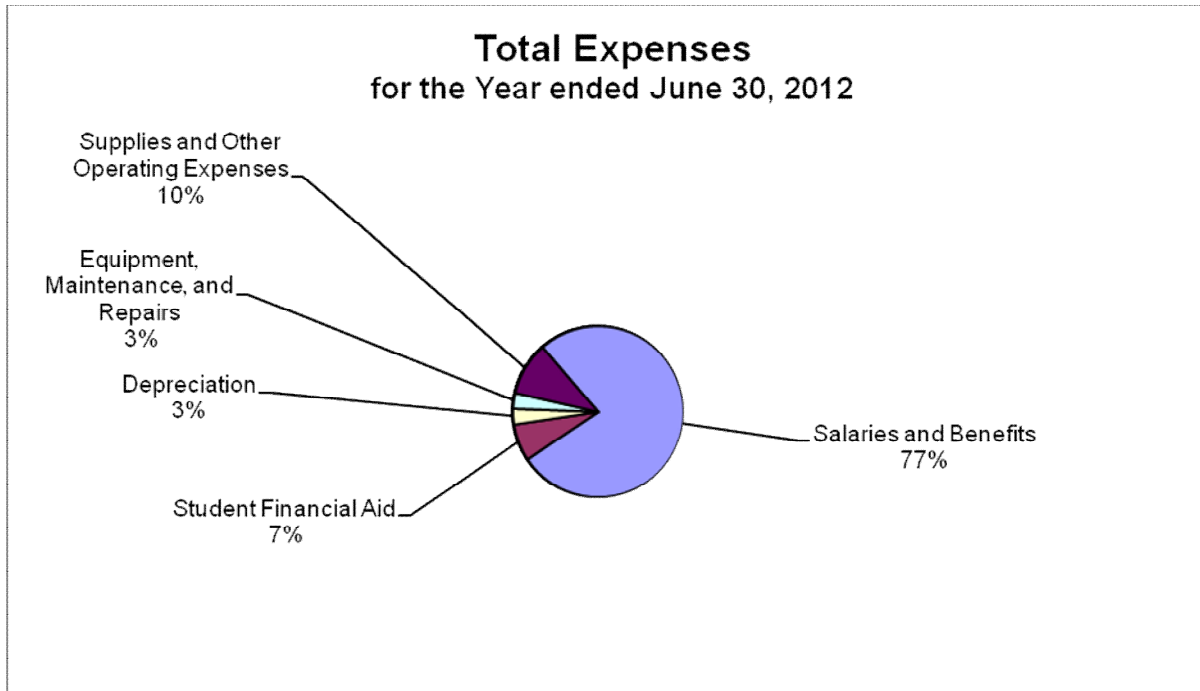
- State revenues (capital) reflect a decrease of \$1.8 million in fiscal year 2012. The change is due to the completion of the District's infrastructure project which included the replacement of a fireline running along the campus perimeter. This project was funded on an expense reimbursement basis by the California Community College Chancellor's Office from State general obligation bond proceeds.
- The net change in Net Assets went from \$4.4 million in fiscal year 2011 to \$4.7 million in fiscal year 2012 due to net increase in operating expenses and decrease in other revenues, gains, and losses.
- More detail of total operating expenses is included in the Statement of Revenues, Expenses, and Changes in Net Assets which is part of the basic financial statements.



**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)**

**JUNE 30, 2012**



Expenses are reported by their operating categories as follows:

(Amounts in thousands)

	<u>2012</u>	<u>2011</u>
Operating Expenses		
Salaries	\$ 61,347	\$ 61,061
Employee benefits	21,439	21,765
Supplies, materials, and other operating expenses and services	11,213	10,638
Student financial aid	6,973	7,090
Equipment, maintenance, and repairs	2,678	1,865
Depreciation	3,431	3,364
Total Operating Expenses	<u>\$ 107,081</u>	<u>\$ 105,783</u>

- Salaries increased \$286 thousand due to step and column movement.
- Student financial aid decreased \$117 thousand due to the elimination of the Academic Competitiveness Grant at the end of fiscal year 2011.
- Equipment, maintenance, and repairs increased \$813 thousand due to deferred maintenance and site improvements.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)**

**JUNE 30, 2012**

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

(Amounts in thousands)

	Instructional Salaries and Benefits	Noninstructional Salaries and Benefits	Supplies, Material, and Other Expenses and Services
Instructional Activities	\$ 39,975	\$ 2,609	\$ 882
Instructional Administration and Instructional Governance	29	4,356	168
Instructional Support Services	860	4,188	403
Admissions and Records	-	1,998	43
Student Counseling and Guidance	52	4,084	133
Other Student Services	48	5,364	1,174
Operation and Maintenance of Plant	-	3,717	2,537
Planning, Policymaking, and Coordination	9	1,189	237
General Institutional Support Services	9	7,483	2,413
Community Services and Economic Development	18	1,851	1,360
Ancillary Services	361	2,334	998
Auxiliary Operations	1	473	54
Physical Property and Related Acquisitions	4	1,774	811
Student Aid	-	-	-
Depreciation Expense	-	-	-
Total	<u>\$ 41,366</u>	<u>\$ 41,420</u>	<u>\$ 11,213</u>

(Amounts in thousands)

	Equipment, Maintenance, and Repairs	Student Financial Aid	Depreciation	Total
Instructional Activities	\$ 725	\$ -	\$ -	\$ 44,191
Instructional Administration and Instructional Governance	14	-	-	4,567
Instructional Support Services	879	-	-	6,330
Admissions and Records	2	-	-	2,043
Student Counseling and Guidance	25	-	-	4,294
Other Student Services	35	-	-	6,621
Operation and Maintenance of Plant	257	-	-	6,511
Planning, Policymaking, and Coordination	2	-	-	1,437
General Institutional Support Services	616	-	-	10,521
Community Services and Economic Development	52	-	-	3,281
Ancillary Services	32	-	-	3,725
Auxiliary Operations	39	-	-	567
Physical Property and Related Acquisitions	-	-	-	2,589
Student Aid	-	6,973	-	6,973
Depreciation Expense	-	-	3,431	3,431
Total	<u>\$ 2,678</u>	<u>\$ 6,973</u>	<u>\$ 3,431</u>	<u>\$ 107,081</u>

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2012

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### 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 positive cash flows, meet obligations as they come due and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for non-operating, non-investing, and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

The Statement of Cash Flows for the year ended June 30, 2012 and 2011, is summarized below:

(Amounts in thousands)

	<u>2012</u>	<u>2011</u>
Cash Provided by (Used in)		
Operating activities	\$ (91,249)	\$ (91,111)
Noncapital financing activities	91,293	89,108
Capital financing activities	(2,249)	(3,202)
Investing activities	164	242
Net Change in Cash	<u>(2,041)</u>	<u>(4,963)</u>
Cash, Beginning of Year	28,651	33,614
Cash, End of Year	<u>\$ 26,610</u>	<u>\$ 28,651</u>

A detailed Statement of Cash Flows for the year ended June 30, 2012, is included in the Basic Financial Statements on pages 18 and 19 of this report.

- Cash provided by operating activities are from tuition and fees. Uses of cash are payments for scholarship and grants, payments to vendors, and payments to or on behalf of employees. Net cash used in operating activities increased from the prior year by \$138 thousand.
- Property tax revenue accounts for approximately 80.4 percent of the noncapital financing revenue.
- The primary use included in capital and related financing activities is the purchase of capital assets (building improvements, construction in progress, equipment, etc.).
- Cash from investing activities is mainly interest earned on cash in bank and cash invested through the San Diego County pool. Lower interest rates contributed to the decrease in interest earned.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)**

**JUNE 30, 2012**

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***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 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, 2012, the District had \$92.0 million invested in capital assets net of accumulated depreciation. Total capital assets consist of land, infrastructure, buildings and building improvements, construction in progress, vehicles, data processing equipment, and other office equipment. Capital assets decreased by \$758 thousand during 2011-2012, and depreciation expense of approximately \$3.4 million was recorded for the fiscal year.
- Capital additions and deductions of construction in progress comprise costs associated with replacement and renovation of existing facilities.

Note 6 to the financial statements provides additional information on capital assets. A summary of capital assets, net of depreciation, is presented below:

(Amounts in thousands)

	2012	2011
Land and improvements	\$ 7,581	\$ 7,725
Site and site improvements	79,938	82,246
Furniture and equipment	3,149	3,368
Construction in progress	1,304	975
Net Capital Assets	<u>\$ 91,972</u>	<u>\$ 94,314</u>

**Debt**

- At June 30, 2012, the District had \$2.8 million in debt in revenue bonds payable which reflects a decrease of \$339 thousand. The District's bond credit rating of A+ was rated prior to insurance enhancements during the refinance of the bond.
- Compensated absences and load banking increased \$112 thousand from the prior year.
- Also, at June 30, the District had \$1.0 million in debt for the capital lease agreement with SunTrust Corporation for the debt financing of the energy efficiency projects approved by the Board in December 2006.
- The District contributed 71 percent of the annual required contribution of which \$1.1 million went to an irrevocable trust for the Retiree Health Benefit Program related to GASB Statement No. 45 and \$1.1 million went directly to retirees. Note 10 provides additional information on the plan and obligation.



# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2012

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A summary of long-term obligation is presented below:

(Amounts in thousands)

	2012	2011
Revenue bonds payable	\$ 2,839	\$ 3,178
Compensated absences and load banking	2,378	2,266
Capital leases	1,045	1,251
Net OPEB obligation	775	-
PARS Supplementary Retirement Plan (SRP)	1,068	1,510
Total Long-Term Obligations	<u>\$ 8,105</u>	<u>\$ 8,205</u>

### ***ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE***

According to the November 2012 *California Fiscal Outlook* from the Legislative Analyst's Office (LAO), the "budget situation has improved sharply." There are also indicators of that improvement at the District level, especially in terms of real estate activity. Additionally, the passage of Proposition 30 makes it highly unlikely that the District's categorical programs will experience further reductions. The combination of the positive economic factors cited in the LAO's report and the slowly rebounding local real estate market gives the District confidence that its adopted operationally balanced budget will be realized and, in fact, there will be further restoration of the unrestricted General Fund ending balance.

The District is not aware of any currently known facts, decisions, or conditions that are expected to have a significant negative effect on the financial position or results of operations during the 2012-2013 fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. Management continues to provide information to the campus community and the Board of Trustees on the financial condition of the District and to monitor resources to maintain our ability to react to internal and external issues if and when they arise.

### ***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

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 Vice President of Business and Administrative Services, James E. Austin, at MiraCosta Community College District, One Barnard Drive, Oceanside, CA 92056-3899.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF NET ASSETS - PRIMARY GOVERNMENT  
JUNE 30, 2012**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 1,338,360
Investments - unrestricted	24,807,225
Investments - restricted	463,954
Accounts receivable	2,805,988
Student accounts receivable	276,616
Due from fiduciary funds	8,707
Prepaid expenses	66,207
Deferred cost on issuance	5,352
<b>Total Current Assets</b>	<u>29,772,409</u>

**Noncurrent Assets**

Deferred cost on issuance - noncurrent portion	33,895
Nondepreciable capital assets	6,670,530
Depreciable capital assets, net of depreciation	85,301,498
<b>Total Noncurrent Assets</b>	<u>92,005,923</u>
<b>TOTAL ASSETS</b>	<u>121,778,332</u>

**LIABILITIES**

**Current Liabilities**

Accounts payable	2,873,156
Due to fiduciary funds	8,656
Deferred revenue	3,106,377
Compensated absences payable - current portion	350,686
Load banking payable - current portion	124,988
Bonds payable - current portion	335,000
Lease obligations - current portion	215,120
<b>Total Current Liabilities</b>	<u>7,013,983</u>

**Noncurrent Liabilities**

Compensated absences payable - noncurrent portion	1,402,745
Load banking payable - noncurrent portion	499,951
Bonds payable - noncurrent portion	2,504,028
Lease obligations - noncurrent portion	829,911
Other long-term obligations - noncurrent portion	1,842,551
<b>Total Noncurrent Liabilities</b>	<u>7,079,186</u>
<b>TOTAL LIABILITIES</b>	<u>14,093,169</u>

**NET ASSETS**

Invested in capital assets, net of related debt	88,127,216
Restricted for:	
Debt service	471,245
Capital projects	7,023,808
Educational programs	1,520,789
Unrestricted	10,542,105
<b>TOTAL NET ASSETS</b>	<u>\$ 107,685,163</u>

The accompanying notes are an integral part of these financial statements.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS - PRIMARY GOVERNMENT  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>OPERATING REVENUES</b>	
Student Tuition and Fees	\$ 14,858,471
Less: Scholarship discounts and allowances	(3,661,168)
Net tuition and fees	<u>11,197,303</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	260,509
Cafeteria	19,961
<b>TOTAL OPERATING REVENUES</b>	<u>11,477,773</u>
<b>OPERATING EXPENSES</b>	
Salaries	61,347,097
Employee benefits	21,439,084
Supplies, materials, and other operating expenses and services	11,213,242
Student financial aid	6,973,249
Equipment, maintenance, and repairs	2,677,384
Depreciation	3,430,553
<b>TOTAL OPERATING EXPENSES</b>	<u>107,080,609</u>
<b>OPERATING LOSS</b>	<u>(95,602,836)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Local property taxes levied for general purposes	73,365,149
State taxes and other revenues	2,551,802
Federal grants and contracts, noncapital	8,353,046
State grants and contracts, noncapital	4,332,271
Investment income, noncapital	149,110
Interest expense on capital related debt	(127,916)
Investment income on capital asset-related debt, net	12,909
Transfer out to fiduciary funds	(5,000)
Other nonoperating revenues	2,523,606
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>91,154,977</u>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, AND LOSSES</b>	<u>(4,447,859)</u>
<b>OTHER REVENUES AND LOSSES</b>	
State revenues, capital	16,933
Loss on disposal of capital assets	(260,439)
<b>TOTAL OTHER REVENUES AND LOSSES</b>	<u>(243,506)</u>
<b>CHANGE IN NET ASSETS</b>	(4,691,365)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>112,376,528</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 107,685,163</u>

The accompanying notes are an integral part of these financial statements.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT  
FOR THE YEAR ENDED JUNE 30, 2012**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees	\$ 11,393,527
Payments for scholarships and grants	(6,973,249)
Payments to vendors for supplies and services	(13,751,309)
Payments to or on behalf of employees	(82,198,844)
Auxiliary enterprise sales and charges	280,470
<b>Net Cash Flows From Operating Activities</b>	<b><u>(91,249,405)</u></b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Property taxes - nondebt related	73,365,149
Federal grants and contracts	8,154,635
State grants and contracts	4,840,642
State taxes and other apportionments	2,801,759
Other nonoperating	2,130,719
<b>Net Cash Flows From Noncapital Financing Activities</b>	<b><u>91,292,904</u></b>

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

Purchase of capital assets	(1,589,929)
Principal paid on capital debt	(544,592)
Interest paid on capital debt	(127,916)
Interest received on capital asset-related debt	12,929
<b>Net Cash Flows From Capital Financing Activities</b>	<b><u>(2,249,508)</u></b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received from investments	<u>164,360</u>
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**NET CHANGE IN CASH AND CASH EQUIVALENTS**

(2,041,649)

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR**

28,651,188

**CASH AND CASH EQUIVALENTS, END OF YEAR**

**\$ 26,609,539**

The accompanying notes are an integral part of these financial statements.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2012**

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**RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS  
FROM OPERATING ACTIVITIES**

Operating Loss	<u>\$ (95,602,836)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows	
From Operating Activities:	
Depreciation	3,430,553
Changes in Operating Assets and Liabilities:	
Receivables, net	(50,274)
Prepaid expenses	(14,466)
Other postemployment benefits (OPEB) other than pensions asset	101,078
Accounts payable and other accrued liabilities	85,495
Deferred revenue	356,939
Compensated absences	66,844
Load banking	45,083
Other postemployment benefits (OPEB) other than pensions obligation	774,441
PARS Supplementary Retirement Plan	<u>(442,262)</u>
Total Adjustments	<u>4,353,431</u>
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$ (91,249,405)</u></u>

**CASH AND CASH EQUIVALENTS CONSIST  
OF THE FOLLOWING:**

Cash in banks	\$ 1,338,360
Cash in county treasury	24,807,225
Restricted cash in county treasury	463,954
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 26,609,539</u></u>

**NON CASH TRANSACTIONS**

On behalf payments for benefits	<u><u>\$ 1,537,501</u></u>
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The accompanying notes are an integral part of these financial statements.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2012**

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	<u>Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 125,519	\$ 254,184
Investments	1,230,331	-
Accounts receivable	1,106	119
Due from governmental funds	8,656	-
Fixed assets, net of depreciation	<u>5,270,974</u>	<u>-</u>
<b>Total Assets</b>	<u><u>6,636,586</u></u>	<u><u>\$ 254,303</u></u>
 <b>LIABILITIES</b>		
Accounts payable	25,275	\$ 5,435
Due to governmental funds	8,707	-
Deferred revenue	24,111	-
Due to student groups	-	248,868
<b>Total Liabilities</b>	<u><u>58,093</u></u>	<u><u>\$ 254,303</u></u>
 <b>NET ASSETS</b>		
Unreserved	<u>6,578,493</u>	
<b>Total Net Assets</b>	<u><u>\$ 6,578,493</u></u>	

The accompanying notes are an integral part of these financial statements.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012**

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	<u>Trust Funds</u>
<b>ADDITIONS</b>	
Local revenues	\$ 283,030
<b>DEDUCTIONS</b>	
Classified salaries	32,361
Employee benefits	2,358
Books and supplies	69,568
Services and operating expenditures	82,228
Capital outlay	61,987
Depreciation	119,194
<b>Total Deductions</b>	<u>367,696</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers in from governmental funds	5,000
Other uses	(12,306)
<b>Total Other Financing Sources (Uses)</b>	<u>(7,306)</u>
<b>Change in Net Assets</b>	(91,972)
<b>Net Assets - Beginning</b>	6,670,465
<b>Net Assets - Ending</b>	<u>\$ 6,578,493</u>

The accompanying notes are an integral part of these financial statements.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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### **NOTE 1 - ORGANIZATION**

The MiraCosta Community College District (the District) was established in 1934 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund and capital project funds, but these budgets are managed at the department level. Currently, the District operates two campuses and one center. The main campus, MiraCosta College, is located on a 121-acre site in the city of Oceanside. The District also operates the 42-acre San Elijo campus in the city of Cardiff and a 7.6 acre Community Learning Center in Oceanside. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Financial Reporting Entity**

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

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB Statement No. 14, *The Financial Reporting Entity*. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and that the dependent unit should be reported as part of the other.

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

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support to the District or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

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



# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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Based upon the application of the criteria listed above, the following potential component unit has been excluded from the District's reporting entity:

### **MiraCosta College Foundation**

The MiraCosta College Foundation (the Foundation) is a separate not-for-profit corporation. The Board of Directors is elected independent of any District Board of Trustee's appointments. The Foundation is responsible for approving its own budget and accounting and finance related activities.

The Foundation is not included as a Component Unit because the third criterion was not met; the economic resources received and held by the Foundation are not significant to the District.

Complete financial statements for the Foundation can be obtained from the Foundation's Business Office at One Barnard Drive, Oceanside, CA 92056.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, and classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012**

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Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statement of Net Assets - Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Assets - Primary Government
  - Statement of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statement of Fiduciary Net Assets
    - Statement of Changes in Fiduciary Net Assets
- Notes to the Financial Statements

### **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 and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

### **Investments**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2012, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

### **Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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### **Accounts Receivable**

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District sends outstanding receivables to the Chancellor's Office Tax Offset Program (COTOP) for collection and writes off the uncollected amounts annually.

### **Prepaid Expenses**

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

### **Capital Assets and Depreciation**

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are recorded as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 25 to 50 years; equipment, 4 to 10 years; vehicles, 5 to 10 years.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

### **Deferred Issuance Costs and Premiums**

Lease revenue bond issuance costs and premiums are deferred and amortized using the straight line method over the remaining life of the new debt.

### **Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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Sick leave is accumulated without limit for each employee based upon negotiated contracts or Board policies and procedures. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

### Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

### Noncurrent Liabilities

Noncurrent liabilities include bonds payable, compensated absences, capital lease obligations, and PARS Supplementary Retirement Plan with maturities greater than one year.

### Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets" and represent the difference between assets and liabilities. Net assets are classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

**Invested in Capital Assets, Net of Related Debt:** Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets – net of related debt.

**Restricted - Expendable:** Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs.

**Unrestricted:** Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$9,015,842 of restricted net assets.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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### Operating Revenues and Expenses

**Classification of Revenues** - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

**Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions, such as net of scholarship discounts and allowances, sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and interest on institutional student loans.

**Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as property taxes, investment income, Federal, State, and local grants and contracts, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

**Classification of Expenses** - Nearly all the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

**Operating expenses** - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

**Nonoperating expenses** - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

### Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. 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. The County of San Diego bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

### Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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### **Federal Financial Assistance Programs**

The District participates in federally funded Pell Grants, FSEOG Grants, Federal Work-Study, and Federal Direct Student Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the year ended June 30, 2012, the District distributed \$680,289 in direct lending through the U.S. Department of Education.

### **On Behalf Payments**

GASB Statement No. 24 requires direct on behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all community colleges in California.

### **Estimates**

The preparation of the financial statements 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 for governmental activities are eliminated during the consolidation process in the entity-wide financial statements.

### **New Accounting Pronouncements**

From time to time, the Governmental Accounting Standards Board will issue additional guidance on the accounting and reporting for financial transactions affecting governmental entities. The following is a summary of the most recent pronouncements which will impact future reporting or accounting requirements for the District. The full text of the following statements, along with implementation guides, may be found on the GASB website: [www.gasb.org](http://www.gasb.org).

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012**

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In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*.

This Statement modifies and amends certain requirements for inclusion and reporting of component units in the financial reporting entity. Guidance is provided for both blended and discretely presented component units. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District or related component units for the June 30, 2013, financial statements.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included within other pronouncements issued on or before November 30, 1989, which does not conflict or contradict the GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier implementation is encouraged. The provisions of this Statement are required to be applied retroactively for all periods presented. Management is in the process of determining the impact to the District reporting for the June 30, 2013, financial statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District for the June 30, 2013, financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District for the June 30, 2014, financial statements.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012**

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In March 2012, GASB issued Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*.

The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District for the June 30, 2014, financial statements.

In June 2012, GASB issued Statements No. 67, *Financial Reporting for Pension Plans*, and No. 68, *Accounting and Financial Reporting for Pensions - an amendment of Statement No. 27*.

The primary objective of these Statements is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is encouraged. Management is in the process of determining the impact of both GASB Statements No. 67 and No. 68 on the June 30, 2015, financial statements.

### **NOTE 3 - DEPOSITS AND INVESTMENTS**

#### **Policies and Practices**

The District is authorized under California Government Code and the District's investment policy to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium-term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that 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.



**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2012, consist of the following:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Cash on hand and in banks	\$ 1,288,360	\$ 379,703
Cash in revolving	50,000	-
Investments	25,271,179	1,230,331
Total Deposits and Investments	<u>\$ 26,609,539</u>	<u>\$ 1,610,034</u>

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**Interest Rate Risk**

Interest rate risk is the risk that changes in market 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. The District manages its exposure to interest rate risk by primarily investing in the San Diego County investment pool.

**Specific Identification**

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Weighted Average Days to Maturity
U.S. Federated Cash Reserves	\$ 322,384	51
San Diego County Investment Pool	26,185,920	370
Total	\$ 26,508,304	

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type. The U.S. Federated Cash Reserves and the San Diego County Investment Pool were rated by Standard & Poor's.

Investment Type	Fair Value	Minimum Legal Rating	Rating June 30, 2012
U.S. Federated Cash Reserves	\$ 322,384	Aa	AAAm
San Diego County Investment Pool	26,185,920	Aa	AAAf / S1
Total	\$ 26,508,304		

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2012, the bank balance totaled \$1,515,907 of which \$403,491 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District. The balance of \$1,515,907 consisted of \$1,119,599 in District funds and \$396,308 in fiduciary funds.

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Federal Government		
Categorical aid	\$ 621,688	\$ -
State Government		
Categorical aid	5,400	-
Lottery	836,049	-
Local Sources		
Interest	36,124	1,106
National Benefits Services	287,015	-
Other local sources	1,019,712	119
Total	<u>\$ 2,805,988</u>	<u>\$ 1,225</u>
Student receivables	<u>\$ 276,616</u>	<u>\$ -</u>

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Intefund activity within the governmental funds and fiduciary funds has been eliminated respectively in the basic financial statements. Balances owing between the governmental funds and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2012, the amount owed to the governmental funds and the fiduciary funds were \$8,707 and \$8,656, respectively.

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

**Primary Government**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 5,366,281	\$ -	\$ -	\$ 5,366,281
Construction in progress	975,164	640,760	311,675	1,304,249
Total Capital Assets Not Being Depreciated	<u>6,341,445</u>	<u>640,760</u>	<u>311,675</u>	<u>6,670,530</u>
Capital Assets Being Depreciated				
Infrastructure	6,563,551	-	-	6,563,551
Buildings and improvements	133,847,750	-	454,263	133,393,487
Furniture and equipment	14,258,268	1,020,360	136,911	15,141,717
Total Capital Assets Being Depreciated	<u>154,669,569</u>	<u>1,020,360</u>	<u>591,174</u>	<u>155,098,755</u>
Total Capital Assets	<u>161,011,014</u>	<u>1,661,120</u>	<u>902,849</u>	<u>161,769,285</u>
Less Accumulated Depreciation				
Infrastructure	4,205,010	143,721	-	4,348,731
Buildings and improvements	51,601,715	2,108,969	254,748	53,455,936
Furniture and equipment	10,890,714	1,177,863	75,987	11,992,590
Total Accumulated Depreciation	<u>66,697,439</u>	<u>3,430,553</u>	<u>330,735</u>	<u>69,797,257</u>
Net Capital Assets	<u>\$ 94,313,575</u>	<u>\$ (1,769,433)</u>	<u>\$ 572,114</u>	<u>\$ 91,972,028</u>

Depreciation expense for the year was \$3,430,553.

Assets consisting of the Creative Arts Replacement Building in the amount of \$15,053,899 have been pledged as collateral for notes payable described in Note 9.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Fiduciary Funds**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Being Depreciated				
Buildings and improvements	\$ 5,765,625	\$ -	\$ -	\$ 5,765,625
Furniture and equipment	79,159	-	-	79,159
Total Capital Assets Being Depreciated	<u>5,844,784</u>	<u>-</u>	<u>-</u>	<u>5,844,784</u>
Less Accumulated Depreciation				
Buildings and improvements	393,985	115,312	-	509,297
Furniture and equipment	60,631	3,882	-	64,513
Total Accumulated Depreciation	<u>454,616</u>	<u>119,194</u>	<u>-</u>	<u>573,810</u>
Net Capital Assets	<u>\$ 5,390,168</u>	<u>\$ (119,194)</u>	<u>\$ -</u>	<u>\$ 5,270,974</u>

Depreciation expense in the fiduciary funds for the year was \$119,194.

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll and benefits	\$ 1,611,342	\$ -
Construction	158,062	-
MiraCosta College Foundation	48,505	4,750
Vendor payables	1,055,247	25,960
Total	<u>\$ 2,873,156</u>	<u>\$ 30,710</u>

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 8 - DEFERRED REVENUE**

Deferred revenue consisted of the following:

	Primary Government	Fiduciary Funds
State categorical aid	\$ 1,124,531	\$ -
Schedule maintenance	99,380	-
Enrollment fees	1,626,817	24,111
Other local	255,649	-
Total	<u>\$ 3,106,377</u>	<u>\$ 24,111</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District's long-term obligations during the 2012 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
<b>Bonds Payable</b>					
Lease revenue refunding bonds, series 2010B	\$ 3,065,000	\$ -	\$ 325,000	\$ 2,740,000	\$ 335,000
Net debt premium	112,531	-	13,503	99,028	-
Total Bonds Payable	<u>3,177,531</u>	<u>-</u>	<u>338,503</u>	<u>2,839,028</u>	<u>335,000</u>
<b>Other Liabilities</b>					
Compensated absences	1,686,587	66,844	-	1,753,431	350,686
Load banking	579,856	45,083	-	624,939	124,988
Capital leases	1,251,120	-	206,089	1,045,031	215,120
Net OPEB obligation	-	3,053,896	2,279,455	774,441	-
PARS Supplementary Retirement Plan (SRP)	1,510,372	-	442,262	1,068,110	-
Total Other Liabilities	<u>5,027,935</u>	<u>3,165,823</u>	<u>2,927,806</u>	<u>5,265,952</u>	<u>690,794</u>
Total Long-Term Obligations	<u>\$ 8,205,466</u>	<u>\$ 3,165,823</u>	<u>\$ 3,266,309</u>	<u>\$ 8,104,980</u>	<u>\$ 1,025,794</u>

**Description of Debt**

Payments on the lease revenue bond are paid by the debt service fund. The compensated absences and load banking will be paid by the fund for which the employee worked. Payments for the OPEB obligation will be made by the irrevocable trust and General Fund. Capital lease payments are also made out of the debt service fund. The Supplementary Retirement Plan (SRP) will be paid from the unrestricted General Fund.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

On September 16, 2010, the District issued lease revenue bonds in the amount of \$3,065,000 to be used to refinance the acquisition and construction of capital improvement, fund debt service reserve accounts, and to pay the cost of issuing the bonds. The bonds mature beginning on October 1, 2011 through October 1, 2019, with interest yields ranging from 3.00 to 4.00 percent.

At June 30, 2012, the principal balance outstanding was \$2,740,000 and unamortized premium and issuance cost of \$99,028 and \$39,247, respectively. Premium and issuance costs are amortized over the life of the bonds as a component of interest expense on the bonds.

**Debt Maturity**

**Lease Revenue Bonds**

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2012
				Outstanding July 1, 2011	Issued	Redeemed	
2010	2019	3.00% - 4.00%	\$ 3,065,000	\$ 3,065,000	\$ -	\$ 325,000	\$ 2,740,000

The bonds mature through 2020 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2013	\$ 335,000	\$ 80,875	\$ 415,875
2014	345,000	70,675	415,675
2015	355,000	60,175	415,175
2016	370,000	47,450	417,450
2017	385,000	34,275	419,275
2018-2020	950,000	35,400	985,400
Total	\$ 2,740,000	\$ 328,850	\$ 3,068,850

**Capital Leases**

On December 21, 2006, the District entered into a debt financing agreement with SunTrust Corporation for the construction of six energy efficiency projects valued at approximately \$2,234,983. The District is obligated to make payments through 2017 at an annual interest rate of 4.30 percent. At June 30, 2012, the principal balance outstanding was \$1,045,031.

The District's liability on lease agreements with option to purchase is summarized below:

Balance, July 1, 2011	\$ 1,412,033
Payments	256,733
Balance, June 30, 2012	\$ 1,155,300

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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The capital lease has minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2013	\$ 256,733
2014	256,734
2015	256,732
2016	256,735
2017	128,366
Total	<u>1,155,300</u>
Less: Amount Representing Interest	<u>110,269</u>
Present Value of Minimum Lease Payments	<u><u>\$ 1,045,031</u></u>

The District has entered into a capital lease agreement for the energy efficient project.

Building improvements (energy efficient project)	\$ 2,234,383
Less: Accumulated Depreciation	<u>(215,990)</u>
Total	<u><u>\$ 2,018,393</u></u>

Amortization of the energy efficient project under capital leases is included with depreciation expense.

**Compensated Absences and Load Banking**

The long-term obligation of the compensated absences and load banking for the District at June 30, 2012, amounted to \$2,378,370.

**Other Postemployment Benefits Obligation**

The District's annual required contribution for the year ended June 30, 2012, was \$3,053,896, and contributions made by the District during the year were \$2,178,377, which resulted in an increase to the net OPEB obligation of \$875,519. As of June 30, 2012, the net OPEB obligation was \$774,441. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.



**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**Supplementary Retirement Plan (SRP)**

The District adopted the Public Agency Retirement System (PARS) 403(b) SRP, a retirement incentive program. This SRP is designed to meet the requirements of Section 403(b) of the Internal Revenue Code of 1986, as amended, and, to the extent applicable, the Employee Retirement Income Security Act of 1974, as amended. Employees eligible to receive retirement benefits under the SRP must be a Faculty, Academic, Classified Management, Classified Non-Management, or Confidential Employee and at least age fifty-five (55) with ten (10) or more years of full-time equivalent District service from the date of the formal action taken by the District (retire during the window period in the formal action taken by the District's Governing Board of Trustees). In order for the District to reach fiscal goals, a minimum number of participants were required to enroll in the SRP during the fiscal years June 30, 2011 and 2010, which amounted to 15 each year. The benefits provided under the SRP are funded in five (5) annual contributions. As of June 30, 2012, the outstanding balance was \$1,068,110.

Year Ending June 30,	SRP Payment
2013	\$ -
2014	442,262
2015	442,263
2016	183,585
Total	<u>\$ 1,068,110</u>

***NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS OBLIGATION***

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee agreements and Board policy, to retirees meeting plan eligibility. The District has entered into the Retiree Health Benefit Program, a joint powers agreement. This agreement is entered into among those community college districts as defined in the agreement and the Community College League of California, a nonprofit public benefit corporation, for the purpose of management, operation, and maintenance of the retiree program.

**Plan Description**

The MiraCosta Community College District Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 80 retirees and beneficiaries currently receiving benefits and 422 active Plan members.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**Funding Policy**

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2011-2012, the District contributed \$2,178,377 to the Plan of which \$1,125,000 was contributed to an irrevocable trust and \$1,053,377 was used for current premiums.

**Annual OPEB Cost and Net OPEB (Asset) Obligation**

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB (asset) obligation to the Plan:

Annual required contribution	\$ 3,053,896
Contributions made	<u>(2,178,377)</u>
Change in net OPEB (asset) obligation	875,519
Net OPEB (asset) obligation, beginning of year	<u>(101,078)</u>
Net OPEB (asset) obligation, end of year	<u><u>\$ 774,441</u></u>

**Trend Information**

Trend information for the annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB (asset) obligation for the past three years is as follows:

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percent Contributed	Net OPEB (Asset) Obligation
2010	\$ 3,753,787	\$ 4,766,884	127%	\$ (944,779)
2011	3,053,896	2,210,195	72%	(101,078)
2012	3,053,896	2,178,377	71%	774,441

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**Funded Status and Funding Progress**

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2011	\$ 10,439,411	\$ 25,431,972	\$ 14,992,561	41.0%	\$ 41,088,000	36.5%

**Funding Status and Funding Progress**

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rates ranged from an initial nine percent to an ultimate rate of five percent. The cost trend rate used for the Dental and Vision Programs was five percent. The unfunded actuarial accrued liability is being amortized over an initial 30 years using the level-dollar method on a closed-basis. The remaining amortization period at July 1, 2012, is 26 years. At June 30, 2012, the irrevocable trust held net assets in the amount of \$10,439,411 in Union Bank, the established bank account for the Retiree Health Benefit Program.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**NOTE 11 - LEASE REVENUES**

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessees, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2013	\$ 82,500
2014	41,250
Total	<u>\$ 123,750</u>

**NOTE 12 - RISK MANAGEMENT**

**Insurance Coverages**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for property and liability with coverages of \$250 million, subject to various policy limits and deductibles ranging from \$500 to \$10,000 per occurrence. The District also purchases commercial insurance for general liability claims with coverage up to \$4.5 million per occurrence and \$10 million aggregate, all subject to various deductibles. Employee health coverage benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees, their families, and retired employees of the District.

Each participant pays its liability insurance premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college Districts that can meet the JPA's selection criteria.

**Joint Powers Authority Risk Pools**

During fiscal year ending June 30, 2012, the District contracted with the San Diego County Schools Risk Management Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**Workers' Compensation**

For fiscal year 2011-2012, the District participated in the San Diego County Schools Risk Management Joint Powers Authority (JPA), an insurance purchasing pool. The District is self insured for the first \$100,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Insurance Program / Company Name	Type of Coverage	Limits
San Diego County Schools Risk Management	Workers' Compensation	\$ 900,000
San Diego County Schools Risk Management	Excess Workers' Compensation	Statutory
San Diego County Schools Risk Management	Property and Liability	\$ 250,000,000

**NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS**

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

**CalSTRS**

**Plan Description**

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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### **Funding Policy**

Active members are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$2,560,799, \$2,575,122, and \$2,612,162, respectively, and equal 100 percent of the required contributions for each year.

### **CalPERS**

#### **Plan Description**

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

#### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 10.923 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$2,330,566, \$2,234,530, and \$2,031,187, respectively, and equal 100 percent of the required contributions for each year.

#### **Public Agency Retirement System Alternate Retirement System (PARS-ARS)**

The Omnibus Budget Reconciliation Act of 1990 [Internal Revenue Code Section 3121 (b) (7) (F)] requires State and local public agencies to provide a retirement plan for all employees not covered under existing employer pension plans and/or Social Security.

The District is a member of the Public Agency Retirement System Alternate Retirement System (PARS-ARS). The plan covers the District's part-time, seasonal, temporary, and other classified employees not covered under CalPERS or CalSTRS, but whose salaries would otherwise be subject to Social Security tax. Benefit provisions and other requirements are established by District management based on agreements with various bargaining units. PARS-ARS is a defined contribution qualified retirement plan under Section 401 (a) of the Internal Revenue Code. The plan also shall remain a governmental plan under Section 3 (32) of the Employee Retirement Income Security Act of 1974.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012**

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The minimum total contribution is 7.5 percent of employees' salaries, of which the employee contributes 3.75 percent and the District contributes the remaining 3.75 percent. District employees are covered under PARS-ARS as of June 30, 2012. Total contributions to the plan amounted to \$147,944.

### **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to \$1,537,501 (4.855 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

### **Deferred Compensation**

The District offers its employees a CalPERS administered 457 Deferred Compensation Program (the Program). The Program, available to all permanent employees, permits them to defer a portion of pre-tax salary into investment of an individual's own choosing until future years. The deferred compensation is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The CalPERS Board controls the investment and administrative functions of the CalPERS 457 Deferred Compensation Program. The Board for the exclusive benefit of participating employees, which adds security, holds the assets in trust.

### **NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES**

The District is a member of the San Diego School Risk Management and Retiree Health Benefit Program Joint Power Authority (JPAs). The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2012, the District made payments of \$806,848 and \$1,125,000 to San Diego School Risk Management and Retiree Health Benefit Program, respectively.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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### *NOTE 15 - COMMITMENTS AND CONTINGENCIES*

#### **Grants**

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

#### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2012.

### *NOTE 16 - SUBSEQUENT EVENTS*

The District issued \$8,000,000 of Tax and Revenue Anticipation Notes dated August 8, 2012. The notes mature on June 28, 2013, and yield .37 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning January 2013, until 100 percent of principal and interest due is on account in April 2013.



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***REQUIRED SUPPLEMENTARY INFORMATION***

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**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2012**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2007	\$ 2,329,815	\$ 26,074,844	\$ 23,745,029	8.9%	\$ 37,600,000	63.2%
July 1, 2009	6,556,264	26,105,049	19,548,785	25.1%	42,176,000	46.4%
July 1, 2011	10,439,411	25,431,972	14,992,561	41.0%	41,088,000	36.5%

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*SUPPLEMENTARY INFORMATION*

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# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION

**JUNE 30, 2012**

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MiraCosta Community College District (the District) was established in 1934 and serves an area of about 15 square miles in northern San Diego County (the County). The District includes the cities of Carlsbad, Del Mar, Encinitas, Oceanside, and Solana Beach, as well as adjacent unincorporated areas of the County. The District operates two campuses and one center. The main campus, MiraCosta College, is located on a 121-acre site in the city of Oceanside. The District also operates the 42-acre San Elijo campus in the city of Cardiff and a 7.6 acre Community Learning Center in Oceanside.

### BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ms. Gloria Carranza	President	2012
Ms. Jacqueline Simon	Vice President	2012
Dr. David Broad	Member	2014
Dr. William C. Fischer	Member	2014
Mr. George McNeil	Member	2012
Mr. Ron Ruud	Member	2014
Ms. Jeanne Shannon	Member	2014

### ADMINISTRATION

Dr. Francisco C. Rodriguez	Superintendent/President
Mr. James E. Austin	Vice President, Business and Administrative Services
Vacant	Vice President, Instructional Services
Dr. Richard Robertson	Vice President, Student Services

See accompanying note to supplementary information.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF LABOR</b>			
<b>WORKFORCE INVESTMENT ACT</b>			
Pass-through from California Community Colleges Chancellor's Office			
Education and Developing Workers for the Green Economy Initiative	17.000	395-01	\$ 186,396
Total U.S. Department of Labor			<u>186,396</u>
 <b>SMALL BUSINESS ADMINISTRATION</b>			
Pass-through from Southwestern Community College District			
		NC201002/NCD	
Small Business Development Center Program	59.037	C2012B	409,585
Small Business Jobs Act	59.037	NCDC2012B	14,190
 <b>U.S. DEPARTMENT OF VETERAN AFFAIRS</b>			
Veterans Reporting Fee	64.000		5,908
 <b>U.S. NUCLEAR REGULATORY COMMISSION</b>			
Nuclear Technology Scholarship Program	77.008	NRC-38-10-905	6,350
 <b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>HIGHER EDUCATION ACT</b>			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		151,111
Federal Work Study (FWS)	84.033		114,491
Federal Work Study (FWS) Administrative Allowance	84.033		17,707
Federal Pell Grant (PELL)	84.063		5,544,099
Federal Pell Grant Administration	84.063		8,350
Federal Direct Student Loans	84.268		<u>680,289</u>
Subtotal Student Financial Assistance Cluster			<u>6,516,047</u>
 Fund for Improvement of Postsecondary Education - Nursing Program	 84.116Z		 52,977
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334A		460,587
 <b>ADULT EDUCATION AND FAMILY LITERACY ACT</b>			
Pass-through from California Department of Education (CDE)			
WIA Title II: Adult Education and Family Literacy	84.002A	68247	281,491

[1] Pass-through entity identifying number is unavailable.

See accompanying note to supplementary information.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>PERKINS CAREER AND TECHNICAL EDUCATION ACT</b>			
Pass-through from California Community Colleges Chancellor's Office			
Career and Technical Education, Title IC	84.048	11-C01-032	\$ 197,136
CTE Transitions	84.048	11-112-050	46,970
Pass-through from Grossmont-Cuyamaca Community College District			
Auxiliary Organization			
Career and Technical Education, Title IB	84.048	X001515	2,590
VTEA and Economic Development Mini Grant	84.048	X001004	10,364
Total U.S. Department of Education			<u>7,568,162</u>
<b>U.S. DEPARTMENT OF ENERGY</b>			
Pass-through from San Diego Workforce Partnership			
ARRA - California Clean Energy Workforce Training Program	81.041	235-12	89,201
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Pass-through from California Community Colleges Chancellor's Office			
TANF Cluster:			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	74,837
Total U.S. Department of Health and Human Services			<u>74,837</u>
Total Expenditures of Federal Awards			<u><u>\$ 8,354,629</u></u>

[1] Pass-through entity identifying number is unavailable.

See accompanying note to supplementary information.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

Program	Program Revenues				Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	
<b>GENERAL FUND</b>					
Basic Skills	\$ 377,568	\$ -	\$ 236,839	\$ 140,729	\$ 140,729
Board Financial Assistance Program	267,465	-	-	267,465	267,465
Business and Entrepreneurship Center	205,719	-	81,793	123,926	123,926
Cal Grant	302,929	-	-	302,929	302,929
CalWORKs	183,985	5,400	-	189,385	189,385
CARE	57,182	-	-	57,182	57,182
Development Center Entrepreneurship	219,037	-	63,616	155,421	155,421
Career Technical Education - Community Collaborative	678,400	-	492,139	186,261	186,261
Career Technical Education - Pathways Collaborative	181,304	-	-	181,304	181,304
Disabled Students Program and Services (DSPS)	524,406	-	-	524,406	524,406
Extended Opportunity Program and Services (EOPS)	498,796	-	-	498,796	498,796
Licensed Vocational Nurse to Registered Nurse Grant	271,193	-	17,992	253,201	253,201
Lottery	33,810	293,506	-	327,316	327,316
Matriculation - Credit	289,328	-	-	289,328	289,328
Matriculation - Noncredit	91,836	-	-	91,836	91,836
Part-Time Faculty Reimbursement	179,786	-	-	179,786	179,786
Staff Diversity	5,687	-	-	5,687	5,687
Workforce Development RN Grant	91,586	-	-	91,586	91,586
Workforce Innovation Partnership	379,336	-	232,152	147,184	147,184
Total State Categorical Programs	<u>\$ 4,839,353</u>	<u>\$ 298,906</u>	<u>\$ 1,124,531</u>	<u>\$ 4,013,728</u>	<u>\$ 4,013,728</u>

See accompanying note to supplementary information.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL  
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE  
 AS OF JUNE 30, 2012**

<b>CATEGORIES</b>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
<b>A. Summer Intersession (Summer 2011 only)</b>			
1. Noncredit	111	-	111
2. Credit	598	-	598
<b>B. Summer Intersession (Summer 2012 - Prior to July 1, 2012)</b>			
1. Noncredit	-	-	-
2. Credit	273	-	273
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	6,434	-	6,434
(b) Daily Census Contact Hours	403	-	403
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	668	-	668
(b) Credit	185	-	185
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,403	-	1,403
(b) Daily Census Contact Hours	439	-	439
(c) Noncredit Independent Study/Distance Education Courses	11	-	11
<b>D. Total FTES</b>	<u>10,525</u>	<u>-</u>	<u>10,525</u>
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>			
<b>H. Basic Skills Courses and Immigrant Education</b>			
1. Noncredit	606	-	606
2. Credit	565	-	565
<b><u>CCFS-320 Addendum</u></b>			
Centers FTES			
1. Noncredit	648	-	648
2. Credit	1,841	-	1,841

See accompanying note to supplementary information.



**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2012**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b><u>Academic Salaries</u></b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 15,544,500	\$ -	\$ 15,544,500	\$ 15,544,500	\$ -	\$ 15,544,500
Other	1300	12,651,180	-	12,651,180	12,656,831	-	12,656,831
<b>Total Instructional Salaries</b>		<b>28,195,680</b>	<b>-</b>	<b>28,195,680</b>	<b>28,201,331</b>	<b>-</b>	<b>28,201,331</b>
<b>Noninstructional Salaries</b>							
Contract or Regular	1200	-	-	-	7,210,551	-	7,210,551
Other	1400	-	-	-	852,661	-	852,661
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>8,063,212</b>	<b>-</b>	<b>8,063,212</b>
<b>Total Academic Salaries</b>		<b>28,195,680</b>	<b>-</b>	<b>28,195,680</b>	<b>36,264,543</b>	<b>-</b>	<b>36,264,543</b>
<b><u>Classified Salaries</u></b>							
<b>Noninstructional Salaries</b>							
Regular Status	2100	-	-	-	13,600,316	-	13,600,316
Other	2300	-	-	-	1,212,388	-	1,212,388
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>14,812,704</b>	<b>-</b>	<b>14,812,704</b>
<b>Instructional Aides</b>							
Regular Status	2200	1,625,700	-	1,625,700	1,625,700	-	1,625,700
Other	2400	1,004,764	-	1,004,764	1,112,630	-	1,112,630
<b>Total Instructional Aides</b>		<b>2,630,464</b>	<b>-</b>	<b>2,630,464</b>	<b>2,738,330</b>	<b>-</b>	<b>2,738,330</b>
<b>Total Classified Salaries</b>		<b>2,630,464</b>	<b>-</b>	<b>2,630,464</b>	<b>17,551,034</b>	<b>-</b>	<b>17,551,034</b>
Employee Benefits	3000	7,461,315	-	7,461,315	16,955,871	-	16,955,871
Supplies and Material	4000	-	-	-	1,011,761	-	1,011,761
Other Operating Expenses	5000	-	-	-	4,944,372	-	4,944,372
Equipment Replacement	6420	-	-	-	-	-	-
<b>Total Expenditures Prior to Exclusions</b>		<b>38,287,459</b>	<b>-</b>	<b>38,287,459</b>	<b>76,727,581</b>	<b>-</b>	<b>76,727,581</b>

See accompanying note to supplementary information.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2012**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b><u>Exclusions</u></b>							
<b>Activities to Exclude</b>							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 181,279	\$ -	\$ 181,279	\$ 181,279	\$ -	\$ 181,279
Student Health Services Above Amount Collected	6441	-	-	-	15,513	-	15,513
Student Transportation	6491	-	-	-	1,820	-	1,820
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	320,064	-	320,064
<b>Objects to Exclude</b>							
Rents and Leases	5060	-	-	-	5,630	-	5,630
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	1,182,951	-	1,182,951
Classified Salaries	2000	-	-	-	46,621	-	46,621
Employee Benefits	3000	-	-	-	151,989	-	151,989
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
<b>Total Supplies and Materials</b>		-	-	-	-	-	-

See accompanying note to supplementary information.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2012**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 21,850	\$ -	\$ 21,850
Capital Outlay	6000						
Library Books	6300	-	-	-	(2,739)	-	(2,739)
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
<b>Total Equipment</b>		-	-	-	-	-	(2,739)
<b>Total Capital Outlay</b>		-	-	-	(2,739)	-	-
Other Outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		181,279	-	181,279	1,924,978	-	1,924,978
<b>Total for ECS 84362, 50 Percent Law</b>		\$38,106,180	\$ -	\$ 38,106,180	\$74,802,603	\$ -	\$74,802,603
<b>Percent of CEE (Instructional Salary Cost/Total CEE)</b>		50.94%		50.94%	100.00%		100.00%
<b>50% of Current Expense of Education</b>					\$37,401,302		\$37,401,302

See accompanying note to supplementary information.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)  
WITH FUND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	<u>Student Body Center Fee Trust</u>
June 30, 2012, Annual Financial and Budget Report (CCFS-311) Reported Fund Balance	\$ 1,207,275
Adjustments to Increase Fund Balance	
Capital Assets	<u>5,270,974</u>
Audited Fund Balance	<u>\$ 6,478,249</u>

See accompanying note to supplementary information.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2012**

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**Amounts Reported for Governmental Activities in the Statement  
of Net Assets are Different Because:**

**Total Fund Balances:**

General Fund	\$ 14,851,105	
Capital Outlay Projects	7,023,808	
Debt Service Funds	471,245	
Enterprise Funds	862,346	
Internal Service Funds	174,014	
<b>Total Fund Balances - All District Funds</b>		<b>\$ 23,382,518</b>

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	161,769,285	
Accumulated depreciation is	(69,797,257)	
Less fixed assets already recorded in enterprise funds	(79,324)	91,892,704

Governmental funds report cost of issuance associated with the issuance of debt when first issued, whereas the amounts are deferred and amortized in the Statement of Revenues, Expenses, and Changes in Net Assets.

Cost of issuance at year end amounted to:		39,247
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Long-term obligations at year end consist of:

Bonds payable	2,839,028	
Capital leases payable	1,045,031	
Compensated absences	1,753,431	
Load banking	624,939	
Net OPEB obligation	774,441	
PARS Supplementary Retirement Plan (SRP)	1,068,110	
Less compensated absences and load banking already recorded in funds	(475,674)	(7,629,306)
<b>Total Net Assets</b>		<b>\$ 107,685,163</b>

See accompanying note to supplementary information.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2012**

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**NOTE 1 - PURPOSE OF SCHEDULES**

**District Organization**

This schedule provides information about the District's governing board members and administration members.

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Assets - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of funds in which expenditures exceed Federal revenues recorded.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Assets:		\$ 8,353,046
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	250
Federal Pell Grant (PELL)	84.063	375
Federal Direct Student Loans	84.268	945
Federal Work Study (FWS)	84.033	13
Total Expenditures of Federal Awards		<u>\$ 8,354,629</u>

**Schedule of Expenditures of State Awards**

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

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

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils 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, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

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### **Reconciliation of *Education Code* Section 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.

### **Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's internal fund financial statements.

### **Reconciliation of Governmental Funds to the Statement of Net Assets**

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

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***INDEPENDENT AUDITORS' REPORTS***

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**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**

Board of Trustees  
MiraCosta Community College District  
Oceanside, California

We have audited the basic financial statements of MiraCosta Community College District (the District) for the year ended June 30, 2012, and have issued our report thereon dated December 10, 2012. 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.

**Internal Control Over Financial Reporting**

Management of MiraCosta Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered MiraCosta Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MiraCosta Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MiraCosta Community College District's internal control over financial reporting.

*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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether MiraCosta Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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*.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vaurinek, Time, Day & Co., LLP.

Rancho Cucamonga, California  
December 10, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
MiraCosta Community College District  
Oceanside, California

**Compliance**

We have audited MiraCosta Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of MiraCosta Community College District's major Federal programs for the year ended June 30, 2012. MiraCosta Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of MiraCosta Community College District's management. Our responsibility is to express an opinion on MiraCosta Community College District's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 MiraCosta 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. Our audit does not provide a legal determination of MiraCosta Community College District's compliance with those requirements.

In our opinion, MiraCosta Community College District complied, in all material respects, with the 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, 2012.

## Internal Control Over Compliance

Management of MiraCosta Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered MiraCosta Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 MiraCosta 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 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.

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 that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vaurinek, Time, Day & Co., LLP.

Rancho Cucamonga, California  
December 10, 2012



## REPORT ON STATE COMPLIANCE

Board of Trustees  
MiraCosta Community College District  
Oceanside, California

We have audited the basic financial statements of MiraCosta Community College District (the District), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 10, 2012.

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 of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of MiraCosta Community College District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the MiraCosta Community College District's compliance with the State laws and regulations in accordance with Section 400 of the Chancellor's Office *California Community Colleges Contracted District Audit Manual (CDAM)* issued in May 2012 applicable to the following items:

Section 421	Salaries of Classroom Instructors: 50 Percent Law
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 431	Gann Limit Calculation
Section 433	California Work Opportunity and Responsibility to Kids (CalWORKS)
Section 435	Open Enrollment
Section 437	Student Fee – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Use of Health Fees
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 476	Curriculum and Instruction
Section 479	To Be Arranged (TBA) Hours

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

Based on our audit, we found that for the items tested, the MiraCosta Community College District complied with the State laws and regulations referred to above. Our audit does not provide a legal determination on MiraCosta Community College District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Vaurinek, Time Day & Co., LLP.*

Rancho Cucamonga, California  
December 10, 2012

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*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

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**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.033, 84.063, and 84.268</u>	<u>Student Financial Assistance Cluster</u>
<u>84.334A</u>	<u>Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>



**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2012**

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None reported.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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None reported.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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None reported.

## MIRACOSTA COMMUNITY COLLEGE DISTRICT

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

#### *Financial Statement Findings*

None reported.

#### *Federal Awards Findings*

None reported.

#### *State Awards Findings*

None reported.