

**MIRACOSTA  
COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORTS**

**JUNE 30, 2013**

**San Diego**

**Los Angeles**

**San Francisco  
Bay Area**

**christywhite**  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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MIRACOSTA COMMUNITY COLLEGE DISTRICT  
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## INDEPENDENT AUDITORS' REPORT

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State Board of Accountancy*

Governing Board  
MiraCosta Community College District  
Oceanside, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the MiraCosta Community College District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the MiraCosta Community College District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of MiraCosta Community College District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 14 and the schedule of funding progress on page 42 be presented to supplement the basic financial statements. Such information, although not 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the MiraCosta Community College District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2013 on our consideration of MiraCosta Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MiraCosta Community College District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Chutz White Associates".

San Diego, California  
December 1, 2013

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**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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, 2013. 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 baccalaureate degree by transferring to upper division study at a university.

**SELECTED HIGHLIGHT - Full-Time Equivalent Students**

During fiscal year 2012-13, total Full time Equivalent Students (FTES) increased by 426 students (4.4%) for credit courses and declined by 49 students (6.2%) for non-credit courses. Non-credit avocational class sections were reduced and replaced with additional class sections for Basic Skills.

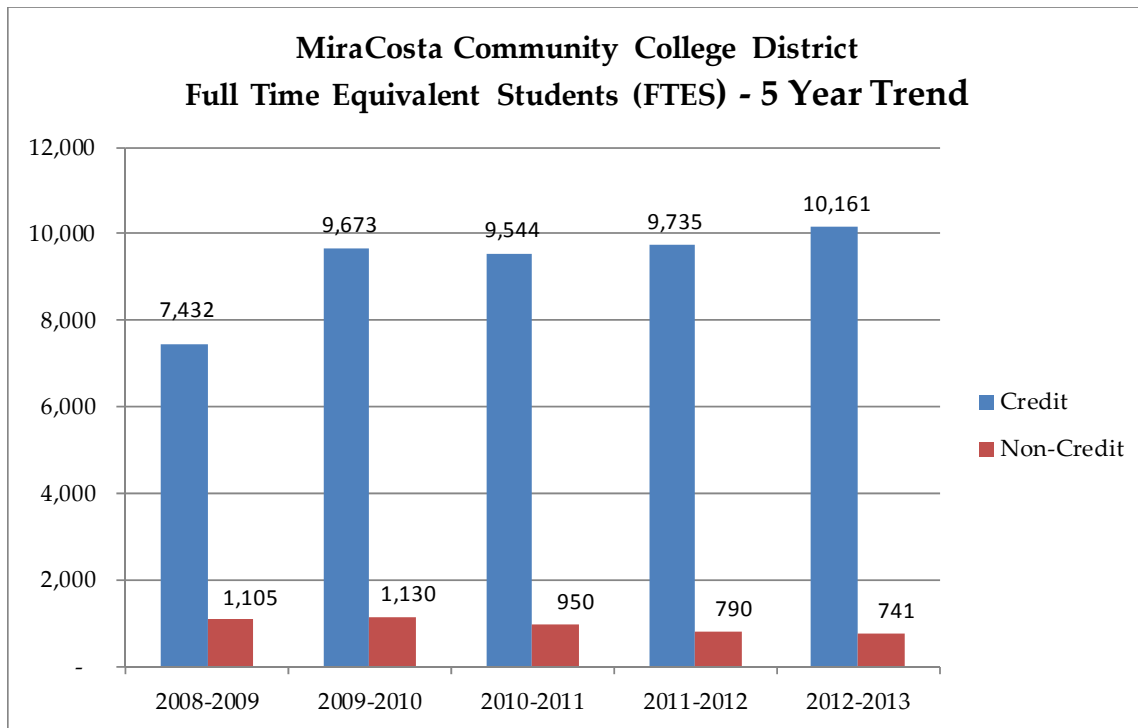
Full Time Equivalent Students	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Credit	7,432	9,673	9,544	9,735	10,161
Non-Credit	1,105	1,130	950	790	741
<b>Totals</b>	<b>8,537</b>	<b>10,803</b>	<b>10,494</b>	<b>10,525</b>	<b>10,901</b>
Credit % Increase (Decrease)	N/A	30.15%	-1.33%	2.00%	4.37%
Non-Credit % Increase (Decrease)	N/A	2.26%	-15.93%	-16.84%	-6.22%
<b>Totals</b>	<b>N/A</b>	<b>27.24%</b>	<b>-2.65%</b>	<b>0.59%</b>	<b>3.65%</b>



**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**SELECTED HIGHLIGHT (continued)**



**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 Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the District's activities.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Statement of Net Position**

The Statement of Net Position presents the assets, liabilities, and net position 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. From the data presented, readers of the Statement of Net Position 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 Position provides a picture of the assets and their availability for expenditure by the District.

The Statement of Net Position presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current), and net position (assets minus liabilities). Current assets include cash and cash equivalents, investments, accounts receivable and prepaid expenses. Non-current assets primarily consist of restricted cash and cash equivalents, as well as capital assets. The net change in current assets and non-current assets as reflected in the chart on the following page is due to the reclassification of restricted cash and cash equivalents. This account group was previously reported in current assets. The net change in total assets reflects an increase in cash and cash equivalents of \$3.2 million. This increase is due to several factors. First, the district received a payment from the Education Protection Account resulting from the passage of Proposition 30. Second, the increase in cash is from the redistribution of assets to local educational agencies as a result of the dissolution of redevelopment agencies in the surrounding area. Current liabilities include accounts payable, deferred revenue, and the current portion of long term liabilities due within one year. The net change in current liabilities is a result of a \$1.7 million increase in accounts payable. The increased activity is due to construction related to the new science building on the Oceanside campus.

The difference between total assets and total liabilities (net position) is one indicator of the current financial condition of the District; the change in net position 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 Position is divided into three major categories. Net position includes capital assets, net of related debt, debt service and capital projects funds, restricted assets for educational programs and unrestricted assets. 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 position; this net position is 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 position that is available for any lawful purpose of the District. The total net position increased \$2 million from 2012 due primarily to cash and cash equivalents. The proportion of categories is illustrated in the graph on the following page.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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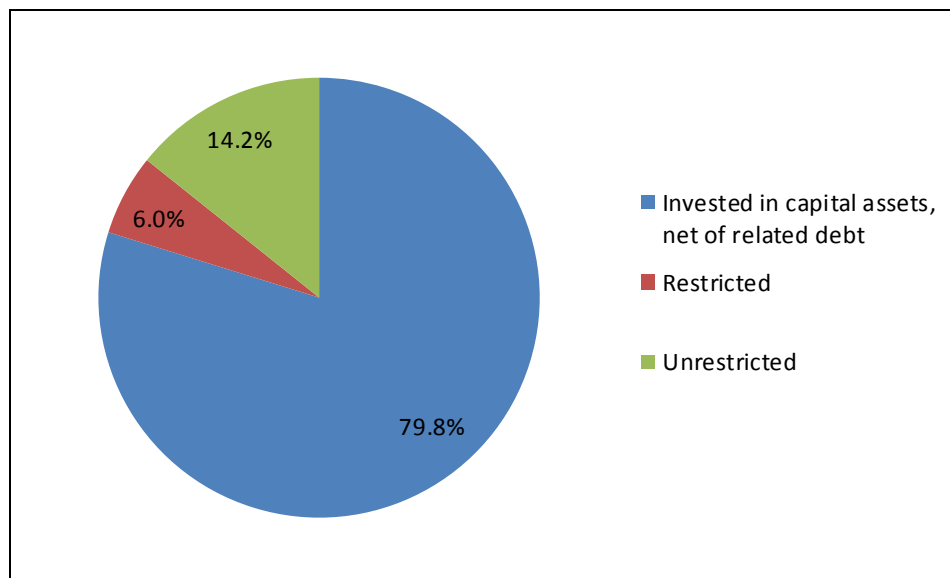
**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Statement of Net Position (continued)**

A summary of the Statement of Net Position as of June 30, 2013 and June 30, 2012 is shown below (amounts shown in thousands):

	2013	2012	Net Change
<b>ASSETS</b>			
Current assets	\$ 26,542	\$ 29,772	\$ (3,230)
Non-current assets	97,810	92,006	5,804
<b>Total Assets</b>	<b>124,352</b>	<b>121,778</b>	<b>2,574</b>
<b>LIABILITIES</b>			
Current liabilities	8,953	7,014	1,939
Non-current liabilities	5,653	7,079	(1,426)
<b>Total Liabilities</b>	<b>14,606</b>	<b>14,093</b>	<b>513</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	87,578	88,127	(549)
Restricted	7,016	9,016	(2,000)
Unrestricted	15,152	10,542	4,610
<b>Total Net Position</b>	<b>\$ 109,746</b>	<b>\$ 107,685</b>	<b>\$ 2,061</b>

**Net Position by Category**



**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

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

The Statement of Revenues, Expense, and Changes in Net Position represent the operating results of the District. The purpose of the statement is to present the revenues received by the District, both operating and non-operating, the expenses paid by the District, operating and non-operating, and any other revenues, expenses, gains and losses. 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 revenues because they are provided by the State Legislature to the District without the Legislature directly receiving commensurate goods and services for the revenues.

- 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. Effective July 2012, California Community College enrollment fees increased from \$36 to \$46 per unit. The offset from Scholarship discounts and allowances also increased. As a result, the net tuition and fee revenue increased by 6.8%. Federal grants and contracts, non-capital revenue increased by 27.8%. This increase is primarily due to an increase in Pell grants awarded.
- Due to a restructure in health benefits offered to full-time employees, the benefit expense for 2013 decreased by \$1.2 million from the prior fiscal year. Financial aid operating expenses increased by 27.7%. This change directly correlates to the increase in revenues reflected in federal grants and contracts.
- In other revenues, loss on disposal of equipment took a sharp decline due to the disposal of two temporary buildings.
- The overall ending net position increased by 1.9%. This is due to revenue increasing as a result of state legislative action such as Proposition 30 and the dissolution of redevelopment agencies.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2013 and 2012 is summarized below:

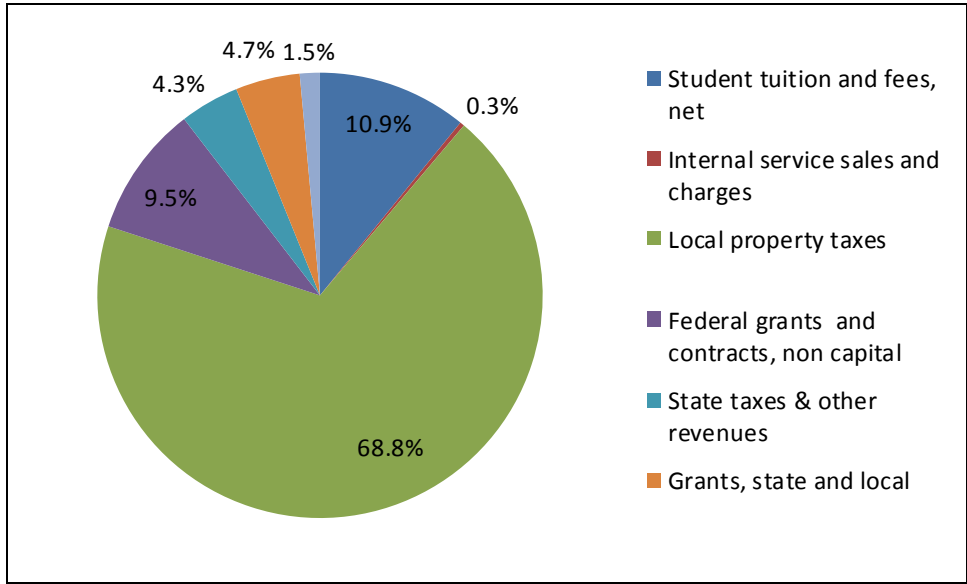
	2013	2012	\$ Change	% Change
<b>OPERATING REVENUES</b>				
Student Tuition and Fees	\$ 17,574,918	\$ 14,858,471	\$ 2,716,447	18.3%
Less: Scholarship discount & allowance	(5,611,585)	(3,661,168)	(1,950,417)	53.3%
Net tuition & fees	11,963,333	11,197,303	766,030	6.8%
Grants and Contracts, noncapital:				
Federal	8,146,249	6,373,929	1,772,320	27.8%
Internal Service Sales and Charges	359,219	280,470	78,749	28.1%
Subtotal	8,505,468	6,654,399	1,851,069	27.8%
Total operating revenues	20,468,801	17,851,702	2,617,099	14.7%
<b>OPERATING EXPENSES</b>				
Salaries	61,088,473	61,347,097	(258,624)	-0.4%
Benefits	20,215,254	21,439,084	(1,223,830)	-5.7%
Financial aid	8,904,727	6,973,249	1,931,478	27.7%
Supplies, materials, & other operating expenses	14,764,986	13,890,626	874,360	6.3%
Depreciation	3,297,204	3,430,553	(133,349)	-3.9%
Total operating expenses	108,270,644	107,080,609	1,190,035	1.1%
<b>OPERATING LOSS</b>	(87,801,843)	(89,228,907)	1,427,064	-1.6%
<b>NONOPERATING REVENUES/(EXPENSES)</b>				
Local property taxes	75,830,137	73,365,149	2,464,988	3.4%
Federal grants and contracts, noncapital	2,337,320	1,979,117	358,203	18.1%
State taxes & other revenues	4,751,437	4,089,303	662,134	16.2%
Investment income	122,754	162,019	(39,265)	-24.2%
Grants:				
State	5,108,784	4,332,271	776,513	17.9%
Local	50,904	42,300	8,604	20.3%
Interest expense	(123,139)	(127,916)	4,777	-3.7%
Other nonoperating revenues	1,604,948	843,396	761,552	90.3%
Total nonoperating revenues (expenses)	89,683,145	84,685,639	4,997,506	5.9%
<b>GAIN BEFORE OTHER REVENUES AND LOSSES</b>	1,881,302	(4,543,268)	6,424,570	-141.4%
<b>OTHER REVENUES AND (LOSSES)</b>				
State apportionments, capital	99,380	16,933	82,447	486.9%
Local revenues, grants and gifts, capital	82,500	95,409	(12,909)	-13.5%
Loss on disposal of equipment	(2,550)	(260,439)	257,889	-99.0%
Total other revenues and losses	179,330	(148,097)	327,427	-221.1%
<b>CHANGE IN NET POSITION</b>	2,060,632	(4,691,365)	6,751,997	-143.9%
<b>BEGINNING NET POSITION</b>	107,685,163	112,376,528	(4,691,365)	-4.2%
<b>ENDING NET POSITION</b>	\$ 109,745,795	107,685,163	2,060,632	1.9%

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

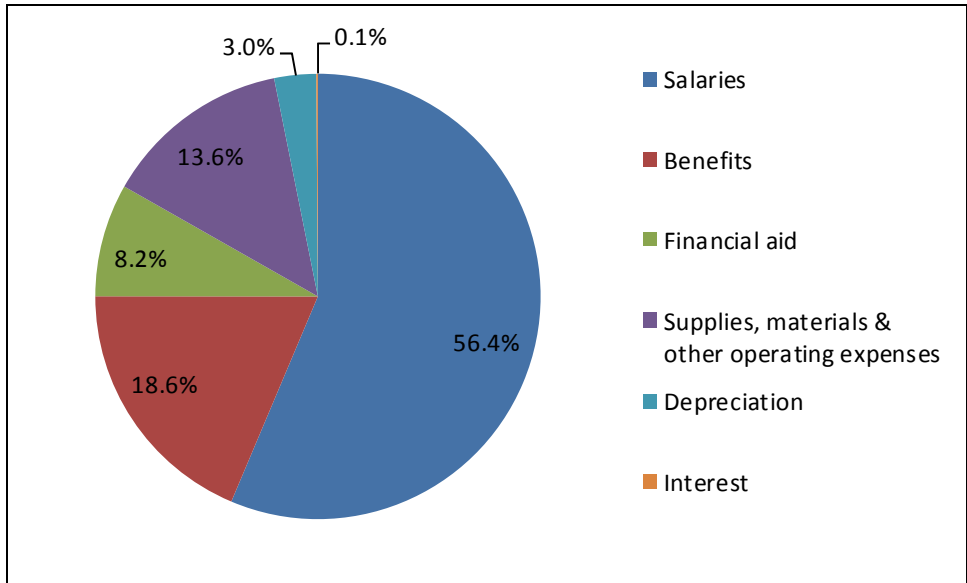
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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Total Revenues**



**Total Expenses**



**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Operating Expense by Functional Classification**

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

(Amounts in thousands)	Instructional Salaries & Benefits	Noninstructional Salaries & Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Student Financial Aid	Depreciation	Total
Instructional Activities	39,586	2,403	755	410	-	-	43,154
Instructional Admin. & Inst. Gov.	3	3,849	168	52	-	-	4,072
Instructional Support Services	780	3,965	348	922	-	-	6,015
Admissions and Records	-	1,904	32	3	-	-	1,939
Student Counseling and Guidance	6	4,114	117	4	-	-	4,241
Other Student Services	42	5,524	1,725	133	-	-	7,424
Operation and Maintenance of Plant	-	3,768	2,362	133	-	-	6,263
Planning, Policymaking & Coordination	1	1,276	320	-	-	-	1,597
General Institutional Support Services	1	7,493	2,791	1,159	-	-	11,444
Community Services & Economic Development	3	1,848	908	103	-	-	2,862
Ancillary Services	475	2,142	960	6	-	-	3,583
Auxiliary Operations	-	435	304	25	-	-	764
Physical Property & Related Acquisitions	-	1,687	332	691	-	-	2,710
Student Aid	-	-	-	-	8,905	-	8,905
Depreciation Expense	-	-	-	-	-	3,297	3,297
<b>Total</b>	<b>\$ 40,897</b>	<b>\$ 40,408</b>	<b>\$ 11,122</b>	<b>\$ 3,641</b>	<b>\$ 8,905</b>	<b>\$ 3,297</b>	<b>\$ 108,270</b>

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**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 Position.

The Statement of Cash Flows for the fiscal years ended June 30, 2013 is summarized below:

	2013	2012	Net Change
Cash flows from operating activities	\$ (83,669,826)	\$ (91,249,405)	\$ 7,579,579
Cash flows from non-capital financing activities	89,179,642	91,292,904	(2,113,262)
Cash flows from capital financing activities	(2,648,422)	(2,249,508)	(398,914)
Cash flows from investing activities	93,006	164,360	(71,354)
Net change in cash & cash equivalents	2,954,400	(2,041,649)	4,996,049
Cash & cash equivalents, beginning of year	26,609,539	28,651,188	(2,041,649)
Cash & cash equivalents, end of year	\$ 29,563,939	\$ 26,609,539	\$ 2,954,400

- The main source of cash in operating activities is tuition and fees. Cash used in operating activities are for payments for scholarships and grants, payments to vendors, and payments to or on behalf of employees. Net cash used in operating activities decreased from the prior year by \$7.5 million. This is due to the reclassification of financial aid expenses that were recorded in the federal grants and contracts category within cash flow from non-capital financing activities to cash flows from operating activities.
- Property tax revenue accounts for approximately 85 percent of the noncapital financing revenue.
- The primary use in capital financing activities is for the purchase of capital assets. (building improvements, construction in progress, equipment, etc.).
- Cash from investing activities is from interest earned on cash in bank and cash invested through the San Diego County Investment Pool. Lower interest rates contributed to the decrease in interest earned.



**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**District Fiduciary Responsibility**

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

**Capital Assets**

As of June 30, 2013, the District had approximately \$163.9 million invested in capital assets. Capital assets consist of land and land improvements, buildings and building improvements, construction in progress, vehicles, data processing equipment, and other equipment that met the capitalization threshold recommended by GASB Statement No. 35. These assets have accumulated depreciation of \$73.0 million, leaving a net position amount of \$90.9 million.

Note 5 to the financial statements provides detail information on capital assets. A summary of capital assets net of accumulated depreciation and changes therein is presented below:

	2013	2012	Net Change
Land and construction in progress	\$ 8,086,024	\$ 6,670,530	\$ 1,415,494
Buildings and equipment	155,792,138	155,098,755	693,383
Accumulated depreciation	(73,019,098)	(69,797,257)	(3,221,841)
<b>Total Capital Assets</b>	<b>\$ 90,859,064</b>	<b>\$ 91,972,028</b>	<b>\$ (1,112,964)</b>

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE**

The District's economic condition is directly affected by the economic well-being of the State of California. According to the November 2013, *California's Fiscal Outlook*, issued by the Legislative Analyst's Office (LAO), the state budget situation is even more promising than what was projected a year ago. The LAO's forecast reflects continued improvement in the state's finances. Those improvements are expected to be seen in the growth of property taxes. State funding for community colleges is largely based upon the funding model designed by Prop 98, which establishes a minimum funding level for education. The District is unique in that it is primarily funded by property taxes due to its basic aid status. An increase in property taxes will not only have a positive impact on other educational institutions statewide, but also on the District. The LAO's forecast further supports the District's multi-year financial plans and projections.

The District is not aware of any currently known facts, decisions, or conditions that are expected to have a significant negative impact on the financial position or operations during the 2013-2014 fiscal year. Beyond those unknown variables having a global effect on virtually all types of business operations, the District remains confident in the current economic climate. 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, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Vice President, Business and Administrative Services, Charlie Ng, at MiraCosta Community College District, One Barnard Drive, Oceanside, California 92056-3899.

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## **FINANCIAL SECTION**

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**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

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	<u>Business-Type Activity</u>	
	<u>Primary Government</u>	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$	22,652,458
Investments		318,712
Accounts receivable		3,482,445
Prepaid expenses		87,585
Due from fiduciary funds		1,141
<b>Total Current Assets</b>		<u>26,542,341</u>
<b>NONCURRENT ASSETS</b>		
Restricted cash and cash equivalents		6,911,481
Deferred cost on issuance		39,248
Capital assets, net of accumulated depreciation		90,859,064
<b>Total Noncurrent Assets</b>		<u>97,809,793</u>
<b>TOTAL ASSETS</b>		<u>124,352,134</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities		4,564,978
Due to fiduciary funds		3,812
Deferred revenue		2,855,705
Current Portion - Long-term liabilities		1,528,498
<b>Total Current Liabilities</b>		<u>8,952,993</u>
<b>NONCURRENT LIABILITIES</b>		
Noncurrent portion - Long-term liabilities		5,653,346
<b>TOTAL LIABILITIES</b>		<u>14,606,339</u>
<b>NET POSITION</b>		
Net investment in capital assets		87,577,877
Restricted for:		
Debt Service		486,394
Capital projects		4,953,987
Educational programs		1,575,736
Unrestricted		15,151,801
<b>TOTAL NET POSITION</b>	<b>\$</b>	<u>109,745,795</u>

The notes to financial statements are an integral part of this statement.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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	<u>Business-Type Activity</u>
	<u>Primary Government</u>
<b>OPERATING REVENUES</b>	
Student Tuition and Fees	\$ 17,574,918
Less: Scholarship discount & allowance	(5,611,585)
Net tuition & fees	<u>11,963,333</u>
Grants and Contracts, noncapital:	
Federal	8,146,249
Internal Service Sales and Charges	<u>359,219</u>
Subtotal	<u>8,505,468</u>
<b>TOTAL OPERATING REVENUES</b>	<u><b>20,468,801</b></u>
<b>OPERATING EXPENSES</b>	
Salaries	61,088,473
Benefits	20,215,254
Financial aid	8,904,727
Supplies, materials, & other operating expenses	14,764,986
Depreciation	<u>3,297,204</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><b>108,270,644</b></u>
<b>OPERATING LOSS</b>	<u><b>(87,801,843)</b></u>
<b>NONOPERATING REVENUES/(EXPENSES)</b>	
Local property taxes	75,830,137
Federal grants and contracts, noncapital	2,337,320
State taxes & other revenues	4,751,437
Investment income - Non-capital	122,754
Grants:	
State	5,108,784
Local	50,904
Other non-operating	1,604,948
Interest expense	<u>(123,139)</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u><b>89,683,145</b></u>
<b>LOSS BEFORE OTHER REVENUES AND GAINS</b>	1,881,302
<b>OTHER REVENUES AND GAINS/(LOSSES)</b>	
State apportionments, capital	99,380
Local revenues, grants and gifts, capital	82,500
Loss on disposal of equipment	<u>(2,550)</u>
<b>TOTAL OTHER REVENUES AND GAINS</b>	<u><b>179,330</b></u>
<b>CHANGE IN NET POSITION</b>	2,060,632
<b>BEGINNING NET POSITION</b>	<u>107,685,163</u>
<b>ENDING NET POSITION</b>	<u><b>\$ 109,745,795</b></u>

The notes to financial statements are an integral part of this statement.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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	<u>Business-Type Activity</u>
	<u>Primary Government</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees	\$ 11,973,575
Federal grants and contracts	7,983,557
Internal service sales and charges	359,982
Payments to or on behalf of employees	(79,892,409)
Payments to vendors for supplies and services	(15,189,804)
Payments to students for scholarships and grants	(8,904,727)
Net Cash Used by Operating Activities	<u>(83,669,826)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Property taxes	75,830,137
Federal grants and contracts	2,337,320
State grants and contracts	5,047,158
State taxes and other revenues	4,309,175
Local grants and contracts	50,904
Other non-operating	1,604,948
Net Cash Provided by Non-capital Financing Activities	<u>89,179,642</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(2,186,791)
Principal paid on capital debt	(550,120)
Interest paid on capital debt	(123,139)
Revenues, grants and gifts, capital	181,880
Interest received on capital debt	29,748
Net Cash Used by Capital Financing Activities	<u>(2,648,422)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	93,006
Net Cash Provided/(Used) by Investing Activities	<u>93,006</u>
<b>NET DECREASE IN CASH &amp; CASH EQUIVALENTS</b>	2,954,400
<b>CASH &amp; CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>26,609,539</u>
<b>CASH &amp; CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 29,563,939</u>

The notes to financial statements are an integral part of this statement.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
STATEMENT OF CASH FLOWS, continued  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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	<u>Business-Type Activity</u>
	<u>Primary Government</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (87,801,843)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	3,297,204
Changes in Assets and Liabilities:	
Accounts receivable	(399,841)
Due from fiduciary funds	7,566
Prepaid expense	(21,378)
Accounts payable and accrued liabilities	1,691,822
Due to fiduciary funds	(4,844)
Deferred revenue	(250,672)
Compensated absences	97,283
Load banking	40,271
Other postemployment benefits (OPEB)	(325,394)
Total Adjustments	<u>4,132,017</u>
<b>Net Cash Flows From Operating Activities</b>	<u>\$ (83,669,826)</u>

The notes to financial statements are an integral part of this statement.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
STATEMENT OF NET POSITION – FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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	<b>Trust Funds</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,430,574	\$ 271,818
Due from governmental funds	3,812	-
Accounts receivable	6,045	35
Fixed assets, net of depreciation	5,164,131	-
<b>Total Assets</b>	<b>6,604,562</b>	<b>271,853</b>
<b>LIABILITIES</b>		
Agency obligations	-	256,322
Accounts payable	66,939	15,531
Deferred revenue	25,893	-
Due to governmental funds	1,141	-
<b>Total Liabilities</b>	<b>93,973</b>	<b>271,853</b>
<b>NET POSITION</b>		
Restricted Net Position	6,510,589	-
<b>Total Net Position</b>	<b>\$ 6,510,589</b>	<b>\$ -</b>

The notes to financial statements are an integral part of this statement.



MIRACOSTA COMMUNITY COLLEGE DISTRICT  
 STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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	<b>Trust Funds</b>
<b>Additions</b>	
Local revenue	\$ 279,609
Interest and investment income	5,012
<b>Total Additions</b>	<u>284,621</u>
<b>Deductions</b>	
Salaries	56,397
Benefits	5,797
Supplies and materials	58,412
Services and operating expenses	68,288
Depreciation	119,814
Capital outlay	37,628
<b>Total Deductions</b>	<u>346,336</u>
<b>Other financing sources/(uses)</b>	
Transfers in from governmental funds	5,000
Other uses	(11,189)
<b>Total other financing sources/(uses)</b>	<u>(6,189)</u>
<b>CHANGE IN NET POSITION</b>	<u>(67,904)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>6,578,493</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 6,510,589</u>

The notes to financial statements are an integral part of this statement.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**NOTE 1 – ORGANIZATION**

MiraCosta Community College District (the District) was established in 1934 as a political subdivision of the State of California. The District is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates two campuses and one center. The main campus, MiraCosta College, is located on a 121-acre site in Oceanside, California. The District also operates the 42-acre San Elijo campus in Cardiff-by-the Sea and a 7.6-acre Community Learning Center in the city of Oceanside. The District is governed by a locally elected seven-member Board of Trustees which establishes the policies and procedures by which the District operates. 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.

**Financial Reporting Entity**

The District has adopted GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. This statement amends GASB Statement No. 14, The Financial Reporting Entity, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles and GASB Statement No. 14 and Statement No. 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board of Trustee's ability to exercise oversight responsibility. A second criterion used in evaluating potential component units is the scope of public service. A third criterion used to evaluate potential component units is the existence of special financing relationships, regardless of the whether the District is able to exercise oversight responsibilities.

Based on the application of the criteria listed above, no potential component units have been included in the District's reporting entity as blended component unit.

Based on 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. Their Board is responsible for approving its own budget and accounting and financing 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 Bernard Drive, Oceanside, CA 92056.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place and amounts are available. 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, available means expected to be received within 90 days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office.

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, now codified in the FASB Accounting Standards Codification, unless those pronouncements conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office Budget and Accounting Manual.

MIRACOSTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2013

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (*continued*)**

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:
  - Statements of Net Position
  - Statements of Revenues, Expenses, and Changes in Net Position
  - Statements of Cash Flows
- Notes to Financial Statements

**Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. Cash equivalents also include cash with county treasury balances for purposes of the statements of cash flows.

**Investments**

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair market value. Fair market value is estimated based on published market prices at year-end. Investments for which there are no quoted market prices are not material.

**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 grant 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. Management has analyzed these accounts and believes all amounts are fully collectable.

**Prepaid Expenditures**

Prepaid expenditures or expenses represent payments made to vendors for services that will benefit periods beyond June 30, 2013.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Inventory**

Inventory consists primarily of expendable supplies held for consumption. Inventories are stated at the lower of cost or market, utilizing the first-in, first-out method. The cost is recorded as an expense as the inventory is consumed.

**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. 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 are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed. Routine repairs and maintenance that do not extend the life of the building or equipment are charged as operating expenses in the year the expense is incurred.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 40 to 50 years; improvements, 20 to 25 years; equipment, 4 to 10 years, and 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, Premiums, and Discounts**

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

**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 participated 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, *continued*  
JUNE 30, 2013

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Compensated Absences (*continued*)

Sick leave is accumulated without limit for each employee based upon negotiated contracts. 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, 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.

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.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position." Net position is classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net position categories:

- **Net Investment in Capital Assets** – Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- **Restricted – Expendable** – Net position 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.
- **Unrestricted** – Net position that is not subject to externally imposed constraints. Unrestricted net position 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 \$7,016,117 of restricted net position.

MIRACOSTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2013

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Operating Revenues and Expenses

**Classification on Revenues** – The District has classified its revenues as either operating or nonoperating according to the following criteria:

- **Operating revenues** – Operating revenues include activities that have the characteristics of exchange transactions, such as, (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, State, and local grants and contracts, and (4) interest on institutional student loans.
- **Nonoperating revenues** – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources described in GASB Statement No. 34.

**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.

State Apportionments

Certain current year apportionments from the state are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year and are recorded in the District’s financial records when received.

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 payments to the State Teachers Retirement Systems (CalSTRS) on behalf of all community colleges in California. The amount of on-behalf payments was \$1,860,535.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 amount reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Property Tax**

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.

**Scholarship Discounts and Allowances**

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statements of Revenues, Expenditures, and Changes in Net Position. 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 payment on the students' behalf. To the extent that fee waivers and discount have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

**Federal Financial Assistance Programs**

The District participates in Federally funded Pell Grants, SEOG Grants, and Federal Work-Study. 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*. The District distributed \$871,441 in direct lending through the U.S. Department of Education.

**Interfund Activity**

Exchange transactions between funds of the District are reported as revenues and expenses within the statements of Revenues, Expenses, and Changes in Net Position. Flows of cash or goods from one fund to another without a requirement for repayment are recognized as interfund transfers within the District's fund financial statements. Amounts owing between funds for both exchange and non-exchange transactions are recorded as interfund receivables and payables within the District's fund financial statements. Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.



**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**New Accounting Pronouncement**

In June 2010, the Governmental Accounting Standards Board (“GASB”) issued Statement No. 59, Financial Instruments Omnibus. The objective of the statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this statement are effective for the District’s financial statements for periods beginning after June 15, 2010. The application of the revised guidance for investments financial reporting and disclosures is not expected to have a material impact to the District’s financial statements.

**NOTE 3 – CASH AND INVESTMENTS**

**Policies and Practices**

The District is authorized under California Government Code 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; 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 41001). The fair market 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 market 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, continued  
JUNE 30, 2013**

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**NOTE 3 – CASH AND INVESTMENTS (continued)**

**General Authorizations**

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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	40%	10%
Negotiable Certificates of Deposit	5 years	40%	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

**Authorized Under Debt Agreements**

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

**Summary of Cash and Investments**

Cash and investments as of June 30, 2013, consist of the following:

Cash on hand and in banks	\$ 1,295,769
Cash in San Diego County Investment Pool	28,268,170
Investments	318,712
Total Cash and Investments	\$ 29,882,651

MIRACOSTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2013

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NOTE 3 – CASH AND INVESTMENTS (*continued*)

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates. The District manages its exposure to interest rate risk by primarily investing in the County Investment Pool and in other investment agreements.

**Specific Identification and Credit Risk**

Information about the sensitivity of the fair market values of the District's investments to market interest rate fluctuations is indicated by the following schedule that shows the distribution of the District's investment by maturity. 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. Since all District investment holdings are governmental securities, per California Government Code there is no minimum legal rating.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The 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 agencies. 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, 2013, the bank balance totaled \$1,460,124 of which \$405,807 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.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**NOTE 4 – ACCOUNTS RECEIVABLE**

Receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

The accounts receivable balance as of June 30, 2013 is as follows:

	Primary Government	Fiduciary Funds
Federal Categorical Aid	\$ 771,629	\$ -
State Categorical Aid	30,205	-
Lottery	826,084	-
Interest	30,856	1,045
NBS	285,946	-
Other	1,506,038	5,000
Student	354,786	-
Total	<u>\$ 3,805,544</u>	<u>\$ 6,045</u>

**NOTE 5 – CAPITAL ASSETS**

Primary Government

Capital asset activity for the District for the fiscal year ended June 30, 2013 was as follows:

	Balance July 01, 2012	Additions	Deductions	Balance June 30, 2013
Capital Assets not being Depreciated				
Land	\$ 5,366,281	\$ -	\$ -	\$ 5,366,281
Construction in progress	1,304,249	1,415,494	-	2,719,743
Total Capital Assets not being Depreciated	<u>6,670,530</u>	<u>1,415,494</u>	<u>-</u>	<u>8,086,024</u>
Capital Assets being Depreciated				
Infrastructure	6,563,551	-	-	6,563,551
Buildings and improvements	133,393,487	-	-	133,393,487
Furniture & equipment	15,141,717	771,297	77,914	15,835,100
Total Capital Assets being Depreciated	<u>155,098,755</u>	<u>771,297</u>	<u>77,914</u>	<u>155,792,138</u>
Total Capital Assets	<u>161,769,285</u>	<u>2,186,791</u>	<u>77,914</u>	<u>163,878,162</u>
Less Accumulated Depreciation				
Infrastructure	4,348,731	143,721	-	4,492,452
Buildings & improvements	53,455,936	2,108,969	-	55,564,905
Furniture & equipment	11,992,590	1,044,515	75,364	12,961,741
Total Accumulated Depreciation	<u>69,797,257</u>	<u>3,297,205</u>	<u>75,364</u>	<u>73,019,098</u>
Net Capital Assets	<u>\$ 91,972,028</u>	<u>\$ (1,110,414)</u>	<u>\$ 2,550</u>	<u>\$ 90,859,064</u>

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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**NOTE 5 – CAPITAL ASSETS (continued)**

Fiduciary Funds

	Balance July 01, 2012	Additions	Deductions	Balance June 30, 2013
Capital Assets being Depreciated				
Buildings and improvements	\$ 5,765,625	\$ -	\$ -	\$ 5,765,625
Furniture & equipment	79,159	12,971	-	92,130
Total Capital Assets being Depreciated	<u>5,844,784</u>	<u>12,971</u>	<u>-</u>	<u>5,857,755</u>
Less Accumulated Depreciation				
Buildings & improvements	509,297	115,312	-	624,609
Furniture & equipment	64,513	4,502	-	69,015
Total Accumulated Depreciation	<u>573,810</u>	<u>119,814</u>	<u>-</u>	<u>693,624</u>
Net Capital Assets	<u>\$ 5,270,974</u>	<u>\$ (106,843)</u>	<u>\$ -</u>	<u>\$ 5,164,131</u>

**NOTE 6 – DEFERRED REVENUE**

Deferred revenue at 6/30/13 consisted of the following:

	Primary Government	Fiduciary Funds
State categorical aid	\$ 910,088	\$ -
Enrollment fees	1,715,229	25,893
Other local	230,388	
Total	<u>\$ 2,855,705</u>	<u>\$ 25,893</u>

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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**NOTE 7 – LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2013 is shown below:

	Balance July 01, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
<b>Long-Term Obligations</b>					
Lease revenue refunding bonds, series 2010B	\$ 2,740,000	\$ -	\$ 335,000	\$ 2,405,000	\$ 345,000
Net debt premium	99,028	-	13,504	85,524	13,504
Total bonds payable	2,839,028	-	348,504	2,490,524	358,504
Compensated absences	1,753,431	97,283	-	1,850,714	370,143
Load banking	624,939	40,271	-	665,210	133,042
Capital leases	1,045,031	-	215,120	829,911	224,547
Net OPEB obligation	774,441	-	54,804	719,637	-
PARS supplementary retirement plan (SRP)	1,068,110	-	442,262	625,848	442,262
Total other liabilities	\$ 5,265,952	\$ 137,554	\$ 712,186	\$ 4,691,320	\$ 1,169,994
Total long-term obligations	\$ 8,104,980	\$ 137,554	\$ 1,060,690	\$ 7,181,844	\$ 1,528,498

**Bonds Payable**

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.

Amount of Original Issue	Bonds		Bonds	
	Outstanding July 1, 2012	Issued	Redeemed	Outstanding June 30, 2013
3,065,000	2,740,000	-	335,000	2,405,000

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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**NOTE 7 – LONG-TERM LIABILITIES (continued)**

**Bonds Payable (continued)**

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2013, are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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	395,000	22,575	417,575
2019-2020	555,000	12,825	567,825
Total	<u>\$ 2,405,000</u>	<u>\$ 247,975</u>	<u>\$ 2,652,975</u>

**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, 2013, the principal balance outstanding was \$829,911.

The capital lease has minimum lease payments as follows:

Fiscal Year Ending June 30,	Lease Payment
2014	\$ 256,734
2015	256,732
2016	256,735
2017	128,366
Total	<u>\$ 898,567</u>
Less amount representing interest	<u>(68,656)</u>
Present value of net minimum lease payments	<u>\$ 829,911</u>

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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**NOTE 7 – LONG-TERM LIABILITIES (continued)**

**Supplemental Early Retirement Plan**

The District adopted the Public Agency Retirement System (PARS), a retirement incentive program. This SRP is designed to meeting 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 with ten or more years of full-time equivalent district service from the date of the formal action taken by the District. 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 annual contributions. As of June 30, 2013, the outstanding balance was \$625,848.

Year Ending June 30,	SRP Payment
2014	\$ 442,262
2015	183,586
Total	\$ 625,848

**NOTE 8 – POSTEMPLOYMENT BENEFITS**

The District administers a single-employer defined benefit healthcare plan, which provides medical insurance benefits to eligible retirees in accordance with various labor agreements. The District reports the financial activity of the Plan as a trust fund, and no separate financial report is prepared. Administrators, Faculty, and Classified employees qualify at age 55 with 10 years of service. Membership of the Plan consisted of the following at July 1, 2013, the date of the latest actuarial valuation: 86 Retirees and beneficiaries receiving benefits and 433 Active plan members.

**Plan Description and Contribution Information**

Retirees and beneficiaries receiving benefits	86
Active plan members	433
Total	<u>519</u>



**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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**NOTE 8 – POSTEMPLOYMENT BENEFITS (continued)**

**Funding Policy**

The District’s annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters 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 amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty 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 obligation:

Annual required contribution (ARC)	\$ 2,008,628
Interest on net OPEB obligation	46,466
Adjustment to annual required contribution	(60,582)
Annual OPEB cost	<u>1,994,512</u>
Contributions made	<u>2,049,316</u>
Changes in net OPEB obligation	(54,804)
Net OPEB obligation, beginning of year	<u>774,441</u>
Net OPEB obligation, end of year	<u>\$ 719,637</u>

**Annual OPEB Cost and Net OPEB Obligation**

The District’s annual OPEB cost, the percentage of annual OPEB cost contribution to the Plan, and the net OPEB obligation for the year ended June 30, 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 1,994,512	102.70%	\$ 719,637
6/30/2012	3,053,896	71.00%	774,441
6/30/2011	3,053,896	72.00%	(101,078)

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2013**

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**NOTE 8 – POSTEMPLOYMENT BENEFITS (continued)**

**Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the District had established a trust for post-employment benefits. The actuarial accrued liability for benefits was \$19,428,276. The covered payroll (annual payroll of active employees covered by the Plan) was \$43,072,000, and the ratio of the UAAL to the covered payroll was 16.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the 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 following the notes to the financial statements, presents multiyear 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 value of assets, consistent with the long-term perspective of the calculations. The July 1, 2013 actuarial valuations used the entry age normal actuarial cost method. The actuarial assumptions included a 6% investment rate of return, a projected 3% increase in salaries, and a 1% annual healthcare cost trend rate. An annual inflation rate of 3% per year was used. The UAAL is being amortized as a level percentage of projected payroll over a period of 25 years.

**NOTE 9 – LEASE REVENUES**

A lease agreement has been entered into with terms that exceed one year. The agreement does not contain a purchase option. The agreement contains a termination clause providing for cancellation after a specified number of days written notice to lessee, but it is unlikely that the District will cancel the agreement prior to the expiration date. The future minimum lease revenue expected to be received under this agreement is as follows:

Year Ending June 30,	Lease Revenue
2014	\$ 86,625
2015	90,750
2016	90,750
2017	90,750
2018	90,750
2019	45,375
Total	<u>\$ 495,000</u>

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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**NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS**

**Public Employees' Retirement System (CalPERS)**

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined-benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Benefit provision are established by statutes, as legislatively amended, within the Public Employees' Retirement Law. 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 Regional Office, 400 "Q" Street, Room 1820, Lincoln Plaza East; Sacramento, California 95811.

**Funding Policy**

Active Plan members are required to contribute 7.0% 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 2012-2013 was 10.923% of annual payroll. The contribution requirements of the Plan members are established by state statute. The District's contributions to CalPERS for the years ended June 30, 2013, 2012, and 2011, were \$2,430,949, \$2,330,566, and \$2,234,530 respectively, and equal 100% of the required contributions for each year.

**State Teachers Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost sharing multiple-employer defined benefit pension plan administered by CalSTRS. The Plan provides retirement, disability, 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, California 95826.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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**NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (continued)**

**State Teachers Retirement System (CalSTRS) (continued)**

**Funding Policy**

Active plan members are required to contribute 8.0% of their annual 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 CalSTRS Teacher's Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25% of annual payroll. The contribution requirements of the Plan members are established by state statute. The District's contribution to CalSTRS for the years ended June 30, 2013, 2012, and 2011, were \$2,965,777, \$2,560,799 and \$2,575,122, respectively, and equal 100% of the required contributions for each year.

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

**Plan Description**

The District contributes to the Public Agency Retirement System Alternate Retirement System (PARS-ARS). All employees who do not participate in another retirement plan provided by the District are eligible to participate in the PARS-ARS Plan, a multi-employer defined-contribution retirement program.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**NOTE 11 – COMMITMENTS AND CONTIGENCIES**

The District is exposed to various risks of loss related to: torts; theft of; damage to; and destruction of assets; injuries to students, campus visitors, or employees; errors and omissions; natural disasters; medical and dental claims of District employees; and employment-related liabilities.

**Liability for Open Claims – Workers’ Compensation**

The District maintains a self-insurance plan for workers’ compensation benefits as authorized by Section 81602 of the California Education Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Coverage for workers’ compensation claims is provided by a tiered system. The Worker’s Compensation Fund provides coverage for up to a maximum of \$100,000 per occurrence. In addition, the District participates in a Joint Powers Arrangement with the San Diego County Schools Risk Management Joint Powers Authority that provides coverage for claims exceeding \$100,000 with a limit of \$900,000 per occurrence.

The recorded liability for the workers’ compensation benefits as of June 30, 2013, \$793,806, includes an estimate of incurred but not reported claims. This liability is reported in accrued liabilities as June 30, 2013, based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information available prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as the date of the financial statements and the amount of the loss can be reasonably estimated.

The District also maintains a property and liability self-insurance plan. The Plan is authorized by Section 81602 of the California Education Code. Coverage for liability and property claims is provided by a tiered system. The District purchases additional insurance from Joint Powers Arrangements for claims in excess of coverage provided by the fund. The Statewide Association for Excess Risk (SAFER) provided coverage for claims exceeding the District’s retention with a limit of \$25,000,000 per occurrence for liability and \$250,000,000 per occurrence for property. Settled claims have not exceeded this insurance in any of the past three fiscal years.

Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liability does not necessarily result in an exact amount. Claim liabilities are reevaluated periodically to take into considered recently settled claims, the frequency of claims, the frequency of claims, and other economic and social factors.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

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**NOTE 11 – COMMITMENTS AND CONTIGENCIES (continued)**

**State and Federal Allowances, Awards, and Grants**

The District has received state and federal funds for specific that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the rants, management believes that any required reimbursements would not be material to the District.

**Lawsuits in the Normal Course of Business**

The District is presently involved in certain matters of litigation that have arisen in the normal course of conducting business. District management believes, based on consultation with the Districts attorneys, that these cases, in the aggregate, are not expected to result in material adverse financial impact on the District. Additionally, District management believes that the District's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

**NOTE 12 – JOINT POWERS ARRANGEMENTS**

The District is a member of a joint powers authority. The relationship between the District and the joint powers authority is such that it is not considered a component unit of the District for financial reporting purposes. The following is summary of the arrangement:

**San Diego County Schools Risk Management**

SAFER's excess property and liability insurance program was established to meet the needs of California K-12 schools and community college districts. The program provides their members with comprehensive coverage and competitive rates. The JPA membership consists 65 member districts and charter schools governed by a Board of Directors consisting of one representative from each member district. The Board meets twice each year, and a board-elected nine-member Executive Committee meets monthly.

**NOTE 13 – SUBSEQUENT EVENTS**

The District issued \$5,000,000 of Tax and Revenue Anticipation Notes dated July 17, 2013. The notes mature on June 25, 2014, at a 2.0 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 2014, until 100 percent of principal and interest due is on account in April 2014.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Entry Age Normal Cost Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2007	2,329,815	26,074,844	23,745,029	8.9%	37,600,000	63.2%
7/1/2009	6,556,264	26,105,049	19,548,785	25.1%	42,176,000	46.4%
7/1/2011	10,439,411	25,431,972	14,992,561	41.0%	41,088,000	36.5%
7/1/2013	12,325,353	19,428,276	7,102,923	63.4%	43,072,000	16.5%



MIRACOSTA COMMUNITY COLLEGE DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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PURPOSE OF SCHEDULES

A. Schedule of Funding Progress

This schedule is prepared to show information for the most recent actuarial valuation and in future years, the information from the three most recent actuarial valuations in accordance with Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for post-employment benefits other than pensions.

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**SUPPLEMENTARY  
INFORMATION SECTION**

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**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
 LOCAL EDUCATIONAL AGENCY ORGANIZATIONAL STRUCTURE  
 JUNE 30, 2013**

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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**

Member	Office	Term Expires
David Broad	President	2014
Jacqueline Simon	Vice President	2016
George McNeil	Member	2016
Leon Page	Member	2016
William C. Fischer	Member	2014
Ron Ruud	Member	2014
Jeanne Shannon	Member	2014

**DISTRICT ADMINISTRATORS**

Dr. Francisco C. Rodriguez.....Superintendent/President  
 Dr. Mary Benard.....Vice President, Instructional Services  
 Vacant.....Vice President, Business & Administrative Services  
 Dr. Richard Robertson.....Vice President, Student Services

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
<b>U.S. Department of Education</b>			
<i>Direct Program</i>			
Federal Supplemental Educational Opportunity Grant	84.007	N/A	\$ 175,868
Federal Work Study Program	84.033	N/A	159,884
Federal Pell Grant	84.063	N/A	7,109,240
Federal Direct Student Loans	84.268	N/A	871,441
<i>Subtotal Student Financial Assistance Cluster</i>			<u>8,316,433</u>
<i>Passed through the California Department of Education</i>			
Career and Technical Education (CTE) Perkins Title I-C	84.048	11-C01-032	231,638
CTE Transitions - Perkins IV	84.048	11-112-050	49,389
Gaining Early Awareness and Readiness ofr Undergraduate Programs (Gear-Up)	84.334A	N/A	990,220
Workforce Investment Act Title II: Adult Educations and Family Literacy Act	84.002A	68247	277,556
<b>Total U.S. Department of Education</b>			<u>1,548,803</u>
<b>U.S. Department of Health and Human Services</b>			
<i>Passed through the California Department of Education</i>			
Temporary Assistance for Needy Families	93.558		65,472
NIH -Bridges to the Future	93.859		9,561
<b>Total U.S. Department of Health and Human Services</b>			<u>75,033</u>
<b>U.S. Department of Small Business Administration</b>			
<i>Direct Program</i>			
Small Business Development Center	59.037	C2012B	406,394
Small Business Jobs Act	59.037	NCDC2012B	72,095
<b>Total U.S. Department of Small Business Administration</b>			<u>478,489</u>
<b>U.S. Department of Energy</b>			
<i>Direct Program</i>			
ARRA - Clean energy	81.041	235-12	29,597
<b>Total U.S. Department of Energy</b>			<u>29,597</u>
<b>U.S. Department of Veterans Affairs</b>			
<i>Direct Program</i>			
Veterans Reporting Fee	64.000	N/A	22,574
<b>Total U.S. Department of Energy</b>			<u>22,574</u>
<b>National Science Foundation</b>			
<i>Direct Program</i>			
National Science Foundation	47.076	N/A	12,638
<b>Total National Science Foundation</b>			<u>12,638</u>
<b>Total Federal Programs</b>			<u>\$ 10,483,567</u>

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF STATE FINANCIAL ASSISTANCE – GRANTS AND PROGRAMS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Program Name	Program Revenues				Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Income	PY Def/ Adjustments		
<b>State Categorical Aid Programs</b>						
Basic Skills	\$ 148,332	\$ -	\$ 247,622	\$ 236,839	\$ 137,549	\$ 137,549
Board Financial Assistance Program (BFAP)	335,692	-	-	-	335,692	335,692
Business and Entrepreneurship Center (BEC)	123,000	87,676	-	81,793	292,469	292,469
CALGrant	413,422	-	-	-	413,422	413,422
California Work Opportunity and Responsibility to Kids (CalWORKs)	253,558	2,500	-	-	256,058	256,058
Cooperative Agencies Resources for Education (CARE)	59,510	-	-	-	59,510	59,510
Career Technical Education (CTE) SBDC Entrepreneurship	10,000	-	37,767	63,616	35,849	35,849
CTE Community Collaborative #4	-	-	-	213,760	213,760	213,760
CTE Community Collaborative #5	34,800	5,973	112,558	278,379	206,594	206,594
CTE Community Collaborative #6	261,000	-	229,142	-	31,858	31,858
CTE - WIP	21,875	-	116,570	175,000	80,305	80,305
CTE - WIP #4	164,063	-	158,778	-	5,285	5,285
Disabled Students Programs and Services (DSPS)	502,759	-	-	-	502,759	502,759
Extended Opportunity Programs and Services (EOPS)	491,339	-	-	-	491,339	491,339
Licensed Vocational Nurse to Registered Nurse Grant	255,457	41,710	-	17,992	315,159	315,159
Lottery	62,559	256,573	-	-	319,132	319,132
Credit Matriculation	287,860	-	-	-	287,860	287,860
Non-credit Matriculation	91,836	-	-	-	91,836	91,836
Part-time Faculty Compensation Fund	179,786	-	-	-	179,786	179,427
Staff Development	-	-	-	23,238	23,238	23,238
Staff Diversity	5,687	-	-	-	5,687	5,687
Workforce Innovation Partnership	90,000	-	-	57,152	147,152	147,152
YEP	93,750	-	8,007	-	85,743	85,743
CCC-Student Mental Health	26,655	16,295	-	-	42,950	42,950
Indirect	1,161	73	-	-	1,234	1,234
<b>Total State Programs</b>	<b>\$ 3,914,101</b>	<b>\$ 410,800</b>	<b>\$ 910,444</b>	<b>\$ 1,147,769</b>	<b>\$ 4,562,226</b>	<b>\$ 4,561,867</b>

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT –  
ANNUAL/ACTUAL ATTENDANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Factored FTES		
	Reported Data	Audit Adjustment	Revised Data
<b>A. Summer Intersession (Summer 2012 Only)</b>			
1. Noncredit	101.83	-	101.83
2. Credit	635.85	-	635.85
<b>B. Summer Intersession (Summer 2012 - Prior to July 1, 2012)</b>			
1. Noncredit	-	-	-
2. Credit	281.89	-	281.89
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedures Courses			
(a) Weekly Census Contact Hours	6,511.99	-	6,511.99
(b) Daily Census Contact Hours	498.28	-	498.28
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	615.84	-	615.84
(b) Credit	183.07	-	183.07
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	1,581.16	-	1,581.16
(b) Daily Census Procedure Courses	468.37	-	468.37
(c) Noncredit Independent Study/Distance Education Courses	23.17	-	N/A
<b>D. Total FTES</b>	<b>10,901.45</b>	<b>-</b>	<b>10,901.45</b>
<b>Supplemental Information (subset of information above)</b>			
In-service Training Courses (FTES)	-		
Basic Skills Courses and Immigrant Education			
1. Noncredit	563.83		
2. Credit	419.31		
CCFS-320 Addendum			
Centers FTES			
1. Noncredit	614.92		
2. Credit	1,867.10		

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Summarized below are the adjustments necessary to reconcile the Annual Financial and Budget Report (CCFS-311) and the fund financial statements:

	Student Body Center Fee Trust
	<hr/>
June 30, 2013 Annual Financial and Budget Report (CCFS-311)	
Reported fund balance	\$ 1,266,462
Adjustments to increase fund balance	
Capital assets	5,164,131
Audited fund balance	<hr/> <u>\$ 6,430,593</u>

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ESCB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	15,734,570	-	15,734,570	15,734,570	-	15,734,570
Other	1300	12,651,008	-	12,651,008	12,668,733	-	12,668,733
Total Instructional Salaries		28,385,578	-	28,385,578	28,403,303	-	28,403,303
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	6,852,214	-	6,852,214
Other	1400	-	-	-	908,388	-	908,388
Total Non-Instructional Salaries		-	-	-	7,760,602	-	7,760,602
Total Academic Salaries		28,385,578	-	28,385,578	36,163,905	-	36,163,905
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	13,493,329	-	13,493,329
Other	2300	-	-	-	1,296,183	-	1,296,183
Total Non-Instructional Salaries		-	-	-	14,789,512	-	14,789,512
Instructional Aides							
Regular Status	2200	1,598,177	-	1,598,177	1,598,177	-	1,598,177
Other	2400	932,161	-	932,161	932,161	-	932,161
Total Instructional Aides		2,530,338	-	2,530,338	2,651,123	-	2,651,123
Total Classified Salaries		7,250,334	-	7,250,334	16,249,261	-	16,249,261
Employee Benefits	3000	7,250,334	-	7,250,334	16,249,261	-	16,249,261
Supplies and Materials	4000	-	-	-	1,170,573	-	1,170,573
Other Operating Expenses	5000	-	-	-	5,031,028	-	5,031,028
Equipment Replacement	6420	-	-	-	3,690	-	3,690
Total Expenditures Prior to Exclusions		38,166,250	-	38,166,250	76,059,092	-	76,059,092
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	182,775	-	182,775	182,775	-	182,775
Student Health Services Above Amount Collected	6441	-	-	-	20,297	-	20,297
Student Transportation	6491	-	-	-	443,984	-	443,984
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Object to Exclude							
Rents and Leases	5060	-	-	-	2,700	-	2,700
Lottery Expenditures							
Academic Salaries	1000	-	-	-	1,176,991	-	1,176,991
Classified Salaries	2000	-	-	-	34,976	-	34,976
Employee Benefits	3000	-	-	-	38,004	-	38,004
Supplies and Materials	4000						
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-instructional Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	21,512	-	21,512
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment	6420	-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		182,775	-	182,775	1,921,239	-	1,921,339
Total for ECS 84362, 50% Law		37,983,475	-	37,983,475	74,137,853	-	74,137,853
Percent of CEE (Instructional Salary Cost/Total CEE)		51.23%	0.00%	51.23%	100.00%	0.00%	100.00%
50% of Current Expense of Education					37,068,926		



MIRACOSTA COMMUNITY COLLEGE DISTRICT  
 DETAILS OF THE EDUCATION PROTECTION ACCOUNT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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EPA Revenue	1,043,043
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	Total
Instructional Activities	0100-5900	-	-	176,708	176,708
Academic Administration	6010	-	-	49,697	49,697
Library	6120	-	-	8,507	8,507
Media	6130	-	-	51,573	51,573
Academic Information Systems and Technology	6150	-	-	40,356	40,356
Building Maintenance and Repairs	6510	-	-	109,891	109,891
Custodial Services	6530	-	-	11,619	11,619
Grounds Maintenance and Repairs	6550	-	-	6,316	6,316
Other Operations and Maintenance of Plant	6590	-	-	5,438	5,438
Community Relations	6710	-	-	6,610	6,610
Logistical Services	6770	-	-	22,104	22,104
Management Information Systems	6780	-	-	376,990	376,990
Other General Instructional Support Services	6790	-	-	177,234	177,234
Total		-	-	1,043,043	1,043,043

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
NOTE TO THE SUPPLEMENTARY INFORMATION  
JUNE 30, 2013**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**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.

**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.

**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 are made to community college districts. This schedule provides information regarding the attendance of students throughout the District.

**Reconciliation of Annual Financial and Budget Report 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 fund financial statements.

**Reconciliation of the ECS 84362 (50 percent law) Calculation**

This schedule reports any audit adjustments made to the reported data to ensure that a minimum of 50 percent of the District's current expense of education is expended for salaries of classroom instructors.

**Detail of the Education Protection Account**

This schedule reports revenue and expenditure activity of the Education Protection Account (EPA) account created by Proposition 30, The Schools and Local Public Safety Protection Act of 2012.

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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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**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**

Independent Auditors'

Board of Trustees  
MiraCosta Community College District  
Oceanside, California

We have audited the financial statements of the governmental activities of MiraCosta Community College District, as of and for the year ended June 30, 2013, which collectively comprise the MiraCosta Community College District's basic financial statements and have issued our report thereon dated December 1, 2013. 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 audit, 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 opinion 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

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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 above.

### **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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



San Diego, California  
December 1, 2013

## REPORT ON STATE COMPLIANCE REQUIREMENTS

### Independent Auditors'

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

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Board of Trustees  
MiraCosta Community College District  
Oceanside, California

### **Report on State Compliance**

We have audited MiraCosta Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2012-13*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2013.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on MiraCosta Community College District's compliance with the requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual (CDAM) 2012-13*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. 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 on compliance with the requirements referred to above. However, our audit does not provide a legal determination of MiraCosta Community College District's compliance with those requirements.

### ***Opinion on State Compliance***

In our opinion, MiraCosta Community College District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2013.

### ***Procedures Performed***

In connection with the audit referred to above, we selected and tested transactions and records to determine MiraCosta Community College District's compliance with the state laws and regulations 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 - CalWORKS
- Section 435 - Open Enrollment
- Section 437 - Student Fees – Instructional and Other Materials
- Section 438 - Student Fees – Health Fees and Use of Health Fee Funds
- Section 474 - Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Section 475 - Disabled Student Programs and Services (DSPS)
- Section 479 - To Be Arranged Hours (TBA)
- Section 490 - Proposition 1D State Bond Funded Projects
- Section 491- Proposition 30 Education Protection Account Funds

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2012-13*. Accordingly, this report is not suitable for any other purpose.



San Diego, California  
December 1, 2013

**REPORT ON COMPLIANCE WITH REQUIREMENTS WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Independent Auditors'

Board of Trustees  
MiraCosta Community College District  
Oceanside, California

**Report on Compliance for Each Major Federal Program**

We have audited MiraCosta Community College District's compliance with the types of compliance requirements described in the *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, 2013. MiraCosta Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of MiraCosta Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of MiraCosta Community College District's compliance.

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

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### *Opinion on Each Major Federal Program*

In our opinion, MiraCosta Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of MiraCosta Community College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MiraCosta Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



San Diego, California  
December 1, 2013

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**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

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**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</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 of Cluster</u>
<u>84.007, 84.033, 84.063, 84.268</u>	<u>Student Financial Aid Cluster</u>
<u>84.048</u>	<u>Career &amp; Technical Education Title IC</u>
<u>59.037</u>	<u>Small Business Development Center</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 314,507</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 not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Section II – Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

*There were no financial statement findings or questioned costs during 2012-13.*

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS, continued  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Section III – Federal Award Findings and Questioned Costs**

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

*There were no audit findings and questioned costs related to Federal awards during 2012-13.*

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS, continued  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Section III – State Award Findings and Questioned Costs**

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

*There were no audit findings and questioned costs related to State awards during 2012-13.*

**MIRACOSTA COMMUNITY COLLEGE DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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*There were no Prior Year Findings.*