

**MIRACOSTA
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

MIRACOSTA COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2014

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
MiraCosta Community College District
Oceanside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of MiraCosta Community College District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District'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 District'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2014, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 4 through 16, and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 50, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, 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 accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying 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 16, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vauriney, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 16, 2014



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INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of MiraCosta Community College District (the District) for the year ended June 30, 2014. 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 District operates two campuses and one center. The Oceanside Campus is located on a 121-acre site in Oceanside, California. The District also operates the 42-acre San Elijo Campus in Cardiff and 7.6-acre Community Learning Center in Oceanside. MiraCosta students may choose from several associate degree and certificate programs or complete courses toward the first two years of a bachelor's degree program.

FINANCIAL HIGHLIGHTS

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT

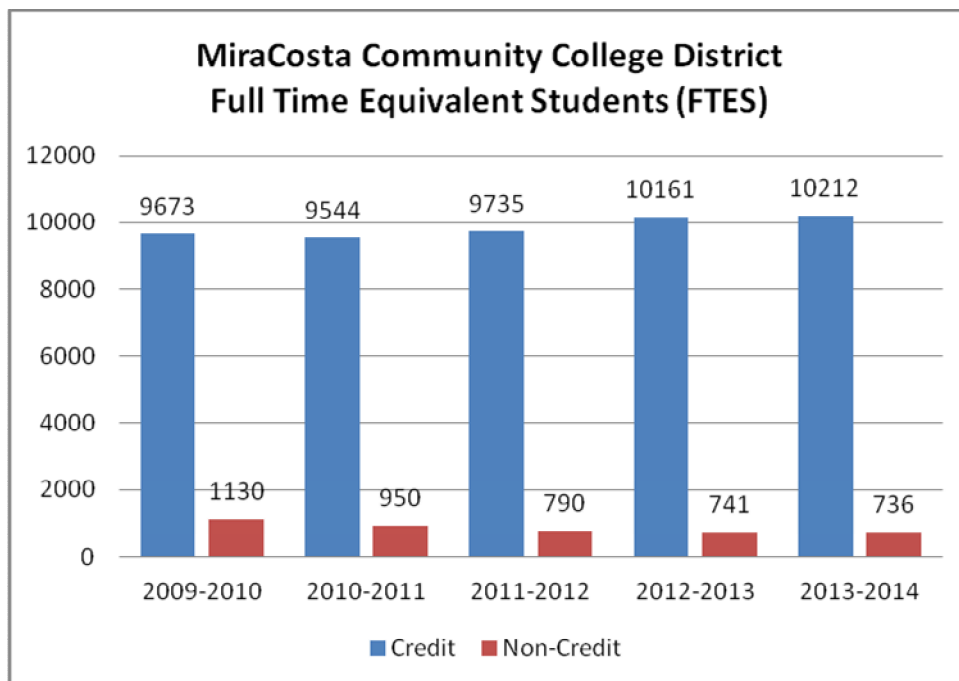
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Full-Time Equivalent Student Growth

During 2013-2014, total full-time equivalent students (FTES) increased slightly from 10,901 to 10,948 for credit and non-credit courses. Credit FTES increased by 0.5 percent while noncredit FTES decreased by 0.7 percent. Non-credit avocational class sections were reduced and replaced with additional class sections for Basic Skills.

Full Time Equivalent Students	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Credit	9,673	9,544	9,735	10,161	10,212
Non-Credit	1,130	950	790	741	736
Totals	10,803	10,494	10,525	10,901	10,948
Credit % Increase (Decrease)	30.15%	-1.33%	2.00%	4.37%	0.50%
Non-Credit % Increase (Decrease)	2.26%	-15.93%	-16.84%	-6.22%	-0.67%
Totals	27.24%	-2.65%	0.59%	3.65%	0.43%



MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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

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 net position and their availability for expenditure by the District.

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. 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; these net position are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position that is available to the District for any lawful purpose of the District.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

A Statement of Net Position as of June 30, 2014 and 2013, is summarized below:

(Amounts in thousands)

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash and investments	\$ 28,561	\$ 29,883
Accounts receivable	3,103	3,482
Due from fiduciary funds	41	1
Prepaid expenses	40	88
Total Current Assets	<u>31,745</u>	<u>33,454</u>
Other noncurrent assets	-	39
Capital assets (net)	91,956	90,859
Total Assets	<u>\$ 123,701</u>	<u>\$ 124,352</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 3,407	\$ 4,565
Due to fiduciary funds	6	4
Unearned revenue	2,908	2,856
Current portion of long-term obligations	1,326	1,528
Total Current Liabilities	<u>7,647</u>	<u>8,953</u>
Long-Term Obligation	<u>4,683</u>	<u>5,653</u>
Total Liabilities	<u>12,330</u>	<u>14,606</u>
NET POSITION		
Net investment in capital assets	89,219	87,578
Restricted	6,394	7,016
Unrestricted	15,758	15,152
Total Net Position	<u>111,371</u>	<u>109,746</u>
Total Liabilities and Net Position	<u>\$ 123,701</u>	<u>\$ 124,352</u>

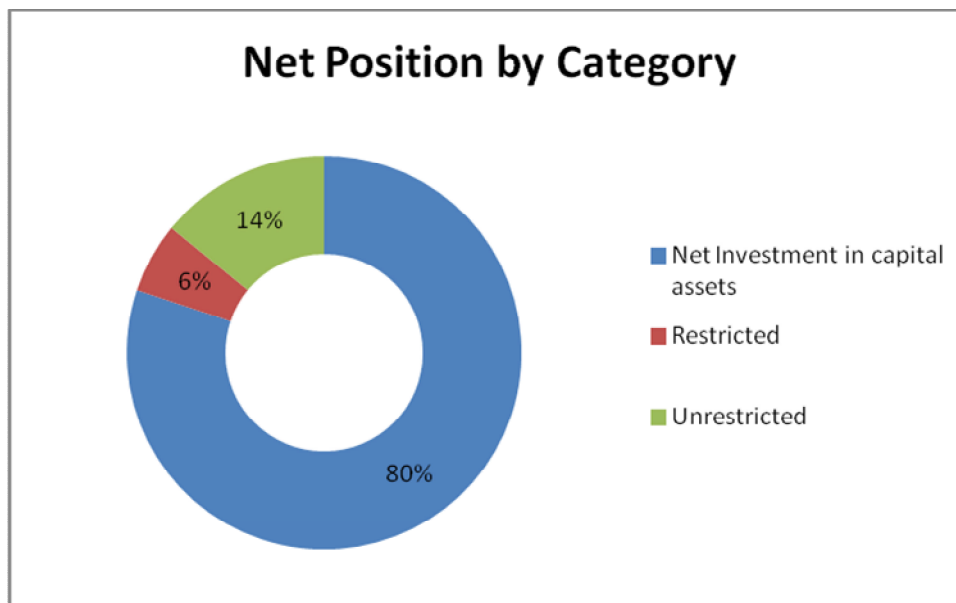
- Cash and investments decreased \$1.3 million over 2013. Cash and investments include cash deposited in the San Diego County Treasury along with investments with fiscal agents related to a lease revenue bond. Additional deposits of funds are held with various financial institutions. The decrease in cash and investments for the 2013-2014 fiscal year is primarily due to an increase in expenditures. The District was committed to redirecting resources for capital outlay projects which had an impact on current assets.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

- The accounts receivable balance includes receivables for categorical programs and/or grants, lottery proceeds, and 4th quarter interest. Accounts receivable decreased \$379 thousand from 2013 to 2014. The following activities accounted for this change: 1) Federal programs such as the GEAR-UP grant and financial aid did not require the setup of a receivable, as all earned revenue was received prior to the end of the fiscal year; 2) the yearly receivable from the forfeiture of flex spending accounts that are held with National Benefits Services decreased significantly from the prior year.
- Accounts payable and accrued liabilities include June payroll expenses, vendor payables including construction payments for goods and services received prior to June 30, but not paid until the following fiscal year. It reflects a \$1.2 million decrease from the prior year due largely to reductions in construction payables.
- Unearned revenue consists of revenue received prior to being earned and includes enrollment fees for summer and fall, State categorical aid, and scheduled maintenance funds. Unearned revenue increased by \$52 thousand from the prior year.
- The current portion of long-term obligations reflects the amounts due within one year on the payments for the lease revenue bonds, compensated absences, and capital lease payment. This current portion decreased \$202 thousand.
- The long-term obligations decreased \$970 thousand and reflect the debt for the lease revenue bonds, long-term compensated absences, and Other Postemployment Benefits (OPEB).
- Net position include capital assets, net of related debt, debt service and capital projects funds, restricted assets for educational programs, and unrestricted assets. Total net position increased \$1.6 million.



MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Statement of Revenues, Expenses, and Changes in Net Position

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

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2014 and 2013, is summarized below:

(Amounts in thousands)

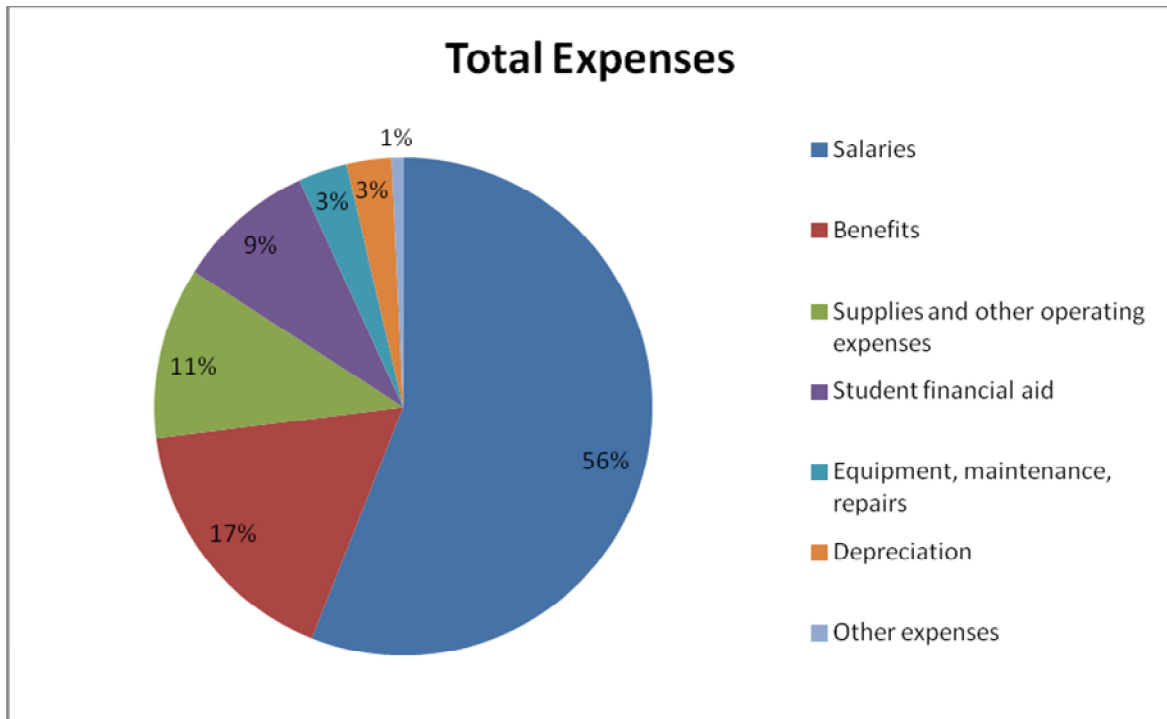
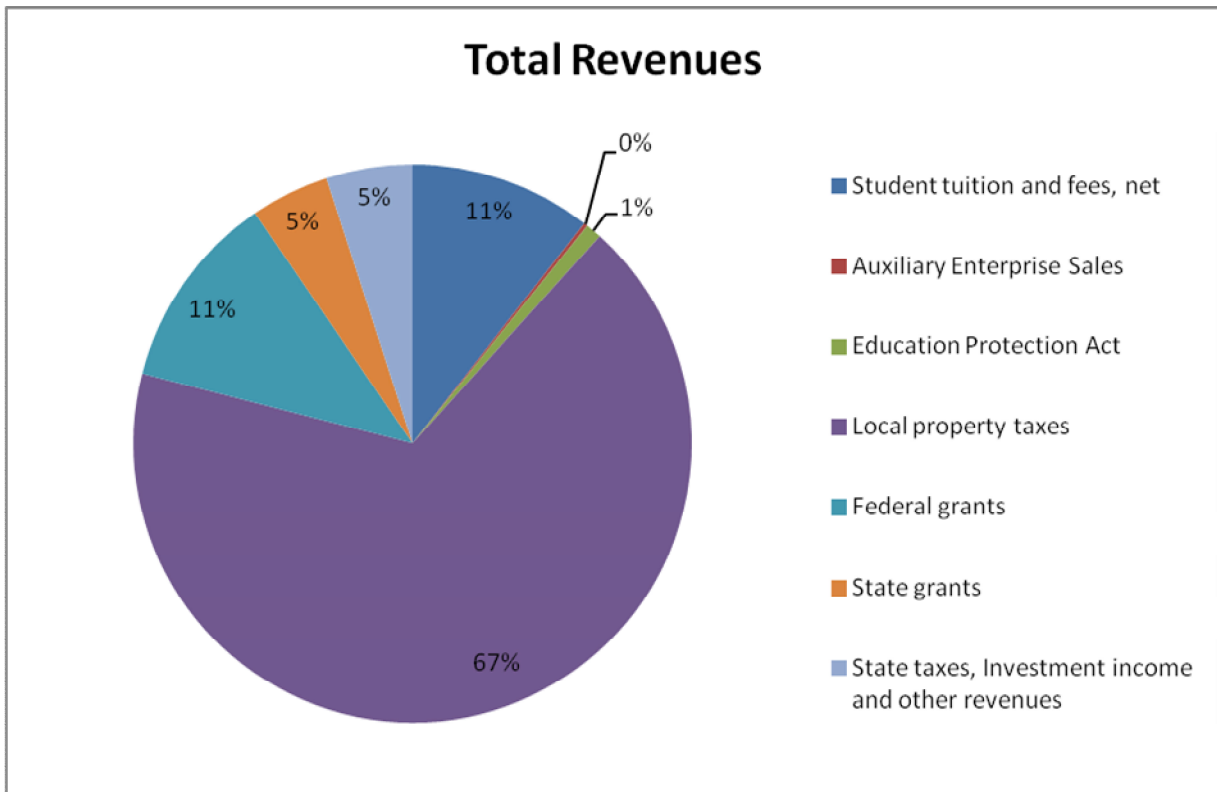
	<u>2014</u>	<u>2013</u>
Operating Revenues		
Tuition and fees	\$ 12,250	\$ 11,963
Auxiliary sales and charges	266	359
Total Operating Revenues	<u>12,516</u>	<u>12,322</u>
Total Operating Expenses	<u>114,404</u>	<u>108,271</u>
Operating Loss	<u>(101,888)</u>	<u>(95,949)</u>
Nonoperating Revenues (Expenses)		
Grants and contracts	18,565	15,644
Local property taxes	78,142	75,830
State and other revenues	3,976	4,751
Investment income, net	27	1
Transfers from fiduciary funds, net	(5)	-
Other nonoperating revenues	2,817	1,605
Total Nonoperating Revenue (Expenses)	<u>103,522</u>	<u>97,831</u>
Other Revenues, Gains, and Losses		
State revenues, capital	-	99
Local revenues, capital	-	82
Loss on disposal of capital assets	(9)	(2)
Total Other Revenues, Gains, and Losses	<u>(9)</u>	<u>179</u>
Net Change in Net Position	<u>\$ 1,625</u>	<u>\$ 2,061</u>

- Tuition and fees are generated by the resident, non-resident, and foreign fees paid by students attending MiraCosta College, including fees such as health fees, parking fees, community services classes, and other related fees. Tuition and fees increased by \$287 thousand.
- Total operating expenses includes employee salaries and benefits, supplies, operating expenses, and student financial aid. Operating expenses increased by \$6.1 million.
- Grants and contracts increased \$2.9 million.
- Local property taxes increased \$2.3 million.
- The change in total nonoperating revenue increased \$5.7 million which was primarily due to the increase in local property taxes and grants and contracts.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014



MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

Expenses are reported by their operating categories as follows:

(Amounts in thousands)

	<u>2014</u>	<u>2013</u>
Operating Expenses		
Salaries	\$ 64,130	\$ 61,089
Employee benefits	20,038	20,215
Supplies, materials, and other operating expenses and services	16,452	14,765
Student financial aid	10,425	8,905
Depreciation	3,359	3,297
Total Operating Expenses	<u>\$ 114,404</u>	<u>\$ 108,271</u>

- Salaries and benefits increased \$2.9 million. This is primarily due to the following: step and column increases; increase in expenditures due to Friday/Saturday Core Plus program; hiring of full-time positions; and conversion of hourly positions to full-time positions.
- Supplies, materials, and other operating expenses increased \$1.7 million due to the following factors: cost of PeopleSoft upgrade from the San Diego County Office of Education for payroll; increase in scheduled maintenance; and increase in instructional equipment.
- Student financial aid increased \$1.5 million due to an increase in applicants.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification for all governmental funds, including student financial aid, are as follows:

(Amounts in thousands)

	Instructional Salaries and Benefits	Noninstructional Salaries and Benefits	Supplies, Material, and Other Expenses and Services
Instructional Activities	\$ 39,585	\$ 2,797	\$ 758
Instructional Administration and	4	4,060	183
Instructional Support Services	881	4,241	433
Admissions and Records	-	1,996	37
Student Counseling and Guidance	-	4,311	105
Other Student Services	23	6,303	1,897
Operation and Maintenance of Plant	-	3,922	2,340
Planning, Policymaking, and Coordination	-	1,310	330
General Institutional Support Services	-	8,122	2,878
Community Services and Economic Development	-	1,778	1,305
Ancillary Services	489	2,229	977
Auxiliary Operations	-	525	33
Physical Property and Related Acquisitions	-	1,592	1,520
Student Aid	-	-	-
Depreciation Expense	-	-	-
Total	<u>\$ 40,982</u>	<u>\$ 43,186</u>	<u>\$ 12,796</u>

(Amounts in thousands)

	Equipment, Maintenance, and Repairs	Student Financial Aid	Depreciation	Total
Instructional Activities	\$ 628	\$ -	\$ -	\$ 43,768
Instructional Administration and	88	-	-	4,335
Instructional Support Services	1,347	-	-	6,902
Admissions and Records	-	-	-	2,033
Student Counseling and Guidance	14	-	-	4,430
Other Student Services	155	-	-	8,378
Operation and Maintenance of Plant	396	-	-	6,658
Planning, Policymaking, and Coordination	7	-	-	1,647
General Institutional Support Services	925	-	-	11,925
Community Services and Economic Development	49	-	-	3,132
Ancillary Services	34	-	-	3,729
Auxiliary Operations	13	-	-	571
Physical Property and Related Acquisitions	-	-	-	3,112
Student Aid	-	10,425	-	10,425
Depreciation Expense	-	-	3,359	3,359
Total	<u>\$ 3,656</u>	<u>\$ 10,425</u>	<u>\$ 3,359</u>	<u>\$ 114,404</u>

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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 year ended June 30, 2014 and 2013, is summarized below:

(Amounts in thousands)

	2014	2013
Cash Provided by (Used in)		
Operating activities	\$ (99,413)	\$ (83,670)
Noncapital financing activities	104,111	89,499
Capital financing activities	(6,125)	(2,648)
Investing activities	105	93
Net Change in Cash	(1,322)	3,274
Cash, Beginning of Year	29,883	26,609
Cash, End of Year	<u>\$ 28,561</u>	<u>\$ 29,883</u>

A detailed Statement of Cash Flows for the year ended June 30, 2014, is included in the Basic Financial Statements on pages 19 and 20 of this report.

- Cash provided by operating activities are from tuition and fees. Uses of cash are payments for scholarship and grants, payments to vendors, and payments to or on behalf of employees. Net cash used in operating activities increased from the prior year by \$15.7 million.
- Property tax revenue account for approximately 75 percent of the noncapital financing revenue.
- The primary use included in capital and related financing activities is the purchase of capital assets (building improvements, construction in progress, equipment, etc.).
- Cash from investing activities is mainly interest earned on cash in bank and cash invested through the San Diego County pool. The increase from the prior year is \$12 thousand.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

DISTRICT'S FIDUCIARY RESPONSIBILITY

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

- As of June 30, 2014, the District had \$92.0 million invested in capital assets net of accumulated depreciation. Total capital assets consist of land, infrastructure, buildings and building improvements, construction in progress, vehicles, data processing equipment, and other office equipment. Capital assets increased by \$1.1 million during 2013-2014, and depreciation expense of approximately \$3.4 million was recorded for the fiscal year.
- Capital additions and deductions of construction in progress comprise costs associated with replacement and renovation of existing facilities.

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

(Amounts in thousands)

	2014	2013
Land and construction in progress	\$ 8,537	\$ 8,086
Buildings and improvements	80,334	79,900
Furniture and equipment	3,085	2,873
Net Capital Assets	<u>\$ 91,956</u>	<u>\$ 90,859</u>

Debt

- At June 30, 2014, the District had \$2.1 million in debt in revenue bonds payable which reflects a decrease of \$359 thousand. The District's bond credit rating of A+ was rated prior to insurance enhancements during the refinance of the lease revenue bond in 2010.
- Compensated absences and load banking increased \$251 thousand from the prior year.
- At June 30, 2014, the District had \$605 thousand in debt for the capital lease agreement with SunTrust Corporation for the debt financing of the energy efficiency projects approved by the Board in December 2006.
- The District contributed 120 percent of the annual required contribution of which \$1.5 million went to an irrevocable trust for the Retiree Health Benefit Program related to GASB Statement No. 45 and \$894 thousand went directly to retirees. Note 11 provides additional information on the plan and the obligation.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Note 10 in the financial statements provides additional information on long-term obligations. A summary of long-term obligation is presented below:

(Amounts in thousands)

	2014	2013
Revenue bonds payable	\$ 2,132	\$ 2,490
Compensated absences and load banking	2,767	2,516
Capital leases	605	830
Net OPEB obligation	321	720
PARS Supplementary Retirement Plan (SRP)	184	626
Total Long-Term Obligations	<u>\$ 6,009</u>	<u>\$ 7,182</u>

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. The California Community College Chancellor's Office, the California Department of Finance, and the California Legislative Analyst's Office (LAO) have predicted strong growth in California's economic health. According to the November 2013, *California's Fiscal Outlook*, issued by the 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 2014-2015 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 will continue to provide information to the Board of Trustees and community on the financial condition of the District and to monitor resources to maintain our ability to react to internal and external issues if and when they arise.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Vice President of Business and Administrative Services, Charlie Ng, at MiraCosta Community College District, One Barnard Drive, Oceanside, CA 92056-3899.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT JUNE 30, 2014

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,278,531
Investments	27,282,188
Accounts receivable	2,719,709
Student accounts receivable	383,365
Due from fiduciary funds	40,977
Prepaid expenses	39,876
Total Current Assets	31,744,646

Noncurrent Assets

Nondepreciable capital assets	8,537,346
Depreciable capital assets, net of depreciation	83,418,468
Total Noncurrent Assets	91,955,814
TOTAL ASSETS	123,700,460

LIABILITIES

Current Liabilities

Accounts payable	3,407,125
Due to fiduciary funds	5,755
Unearned revenue	2,907,752
Current portion of long-term obligations	1,326,398
Total Current Liabilities	7,647,030

Noncurrent Liabilities

Noncurrent portion of long-term obligations	4,682,739
TOTAL LIABILITIES	12,329,769

NET POSITION

Net investment in capital assets	89,218,430
Restricted for:	
Debt service	507,936
Capital projects	4,343,910
Educational programs	1,542,414
Unrestricted	15,758,001
TOTAL NET POSITION	\$ 111,370,691

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUES

Student Tuition and Fees	\$ 18,332,335
Less: Scholarship discount and allowance	(6,082,403)
Net tuition and fees	<u>12,249,932</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	239,243
Cafeteria	26,885
TOTAL OPERATING REVENUES	<u>12,516,060</u>

OPERATING EXPENSES

Salaries	64,130,227
Employee benefits	20,037,363
Supplies, materials, and other operating expenses and services	12,795,481
Student financial aid	10,425,242
Equipment, maintenance, and repairs	3,656,179
Depreciation	3,359,279
TOTAL OPERATING EXPENSES	<u>114,403,771</u>

OPERATING LOSS

(101,887,711)

NONOPERATING REVENUES (EXPENSES)

Education Protection Act	1,086,633
Local property taxes, levied for general purposes	78,142,429
Federal grants	13,269,257
State grants	5,295,722
State taxes and other revenues	2,888,795
Investment income	110,314
Interest expense on capital related debt	(89,907)
Investment income on capital asset-related debt, net	6,299
Transfer to fiduciary funds	(5,000)
Other nonoperating revenue	2,817,435
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>103,521,977</u>

INCOME BEFORE OTHER LOSSES

1,634,266

OTHER LOSSES

Loss on disposal of capital assets	(9,370)
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CHANGE IN NET POSITION

1,624,896

NET POSITION, BEGINNING OF YEAR

109,745,795

NET POSITION, END OF YEAR

\$ 111,370,691

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 12,065,911
Payments to vendors for supplies and services	(16,594,910)
Payments to or on behalf of employees	(84,724,984)
Payments to students for scholarships and grants	(10,425,242)
Auxiliary enterprise sales and charges	266,128
Net Cash Flows From Operating Activities	(99,413,097)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grant and contracts	18,681,234
Property taxes - nondebt related	78,142,429
State taxes and other apportionments	3,808,133
Other nonoperating	3,479,424
Net Cash Flows From Noncapital Financing Activities	104,111,220

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(5,567,836)
Principal paid on capital debt	(583,051)
Interest paid on capital debt	(89,907)
Revenues, grants, and gifts, capital	109,705
Interest received on capital asset-related debt	6,299
Net Cash Flows From Capital Financing Activities	(6,124,790)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from investments	104,735
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NET CHANGE IN CASH AND CASH EQUIVALENTS

(1,321,932)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

29,882,651

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 28,560,719

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED FOR THE YEAR ENDED JUNE 30, 2014

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

Operating Loss	<u>\$ (101,887,711)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	3,359,279
Changes in Assets and Liabilities	
Receivables, net	(28,579)
Prepaid expenses	86,957
Accounts payable and accrued liabilities	(53,473)
Unearned revenue	(299,914)
Compensated absences	104,633
Load banking	146,571
Other postemployment benefits (OPEB) other than pensions obligation	(398,598)
PARS Supplementary Retirement Plan	(442,262)
Total Adjustments	<u>2,474,614</u>
Net Cash Flows From Operating Activities	<u><u>\$ (99,413,097)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 1,278,531
Cash in county treasury	26,963,444
U.S. Federated Cash Reserves	318,744
Total Cash and Cash Equivalents	<u><u>\$ 28,560,719</u></u>

NONCASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 1,718,422</u></u>
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The accompanying notes are an integral part of these financial statements.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2014

	<u>Trust</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 103,394	\$ 304,691
Investments	1,375,209	-
Accounts receivable	6,335	442
Due from primary government	5,755	-
Fixed assets, net of depreciation	5,043,314	-
Total Assets	<u>6,534,007</u>	<u>\$ 305,133</u>
LIABILITIES		
Accounts payable	40,715	\$ 4,077
Due to primary government	40,977	-
Unearned revenue	26,586	-
Due to student groups	-	301,056
Total Liabilities	<u>108,278</u>	<u>\$ 305,133</u>
NET POSITION		
Unreserved	<u>6,425,729</u>	
Total Net Position	<u>\$ 6,425,729</u>	

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED JUNE 30, 2014

	<u>Trust</u>
ADDITIONS	
Local revenues	\$ 279,812
DEDUCTIONS	
Classified salaries	59,928
Employee benefits	9,478
Books and supplies	56,293
Services and operating expenditures	51,289
Capital outlay	56,663
Depreciation	120,820
Total Deductions	<u>354,471</u>
OTHER FINANCING SOURCES (USES)	
Operating transfers in	5,000
Other uses	(15,201)
Total Other Financing Sources (Uses)	<u>(10,201)</u>
Change in Net Position	(84,860)
Net Position - Beginning	<u>6,510,589</u>
Net Position - Ending	<u><u>\$ 6,425,729</u></u>

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 - ORGANIZATION

The MiraCosta Community College District (the District) was established in 1934 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund and capital project funds, but these budgets are managed at the department level. Currently, the District operates two campuses and one center. The main campus, MiraCosta College, is located on a 121-acre site in the city of Oceanside. The District also operates the 42-acre San Elijo campus in the city of Cardiff and a 7.6 acre Community Learning Center in Oceanside. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

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

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support to the District or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

MiraCosta College Foundation

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

Investments held at June 30, 2014, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County and State investment pools are determined by the program sponsor.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Accounts Receivable

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

Prepaid Expenses

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

Capital Assets and Depreciation

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

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

Accrued Liabilities and Long-Term Obligations

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

Debt Issuance Costs, Premiums, and Discounts

Lease revenue bond premiums and discounts, as well as issuance costs related to prepaid insurance costs, are 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 participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

Unearned Revenue

Unearned 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 unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

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

Net Position

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

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component of net investment in capital assets.

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

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.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 \$6,394,260 of restricted net position.

Operating Revenues and Expenses

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

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

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

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

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

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

State Apportionments

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

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the Statement of Revenues, Expenses, and Changes in Net 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 payments on the students' behalf. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study and Federal Direct Student Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. 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*.

On Behalf Payments

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

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Activity

Interfund transfers and interfund receivables and payables for governmental activities are eliminated during the consolidation process in the entity-wide financial statements.

Change in Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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 Deposits and Investments

Deposits and investments as of June 30, 2014, consist of the following:

	Primary Government	Fiduciary Funds
Cash on hand and in banks	\$ 1,228,531	\$ 408,085
Cash in revolving	50,000	-
Investments	27,282,188	1,375,209
Total Deposits and Investments	<u>\$ 28,560,719</u>	<u>\$ 1,783,294</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the San Diego County investment pool.

Specific Identification

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

Investment Type	Fair Value	Weighted Average Days to Maturity
U.S. Federated Cash Reserves	\$ 318,744	55
San Diego County Investment Pool	28,341,770	366
Total	<u>\$ 28,660,514</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the San Diego County Investment Pool and U.S. Federated Cash Reserves are not required to be rated. The U.S. Federated Cash Reserves and the San Diego County Investment Pool were rated AAAM and AAAf/S1 by Standard & Poor's.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the bank balance totaled \$1,368,629 of which \$868,629 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District. The balance of \$1,368,629 consisted of \$950,906 in District funds and \$417,723 in fiduciary funds.

NOTE 4 - ACCOUNTS RECEIVABLE

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

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	\$ 897,630	\$ -
State Government		
Categorical aid	181,054	-
Lottery	842,530	-
Local Sources		
Interest	36,435	1,335
National Benefits Services	124,860	-
Other local sources	637,200	5,442
Total	<u>\$ 2,719,709</u>	<u>\$ 6,777</u>
Student receivables	<u>\$ 383,365</u>	<u>\$ -</u>

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due to/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Intefund activity within the governmental funds and fiduciary funds has been eliminated respectively in the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2014, the amount owed to the primary government and the fiduciary funds were \$40,977 and \$5,755, respectively.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2014 fiscal year, the amount transferred to the primary government from the fiduciary fund amounted to \$0. The amount transferred to the fiduciary funds from the primary government amount to \$5,000.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

Primary Government

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 5,366,281	\$ -	\$ -	\$ 5,366,281
Construction in progress	2,719,743	3,706,865	3,255,543	3,171,065
Total Capital Assets Not Being Depreciated	<u>8,086,024</u>	<u>3,706,865</u>	<u>3,255,543</u>	<u>8,537,346</u>
Capital Assets Being Depreciated				
Infrastructure	6,563,551	409,900	-	6,973,451
Buildings and improvements	133,393,487	2,325,283	-	135,718,770
Furniture and equipment	15,835,100	1,278,894	76,056	17,037,938
Total Capital Assets Being Depreciated	<u>155,792,138</u>	<u>4,014,077</u>	<u>76,056</u>	<u>159,730,159</u>
Total Capital Assets	<u>163,878,162</u>	<u>7,720,942</u>	<u>3,331,599</u>	<u>168,267,505</u>
Less Accumulated Depreciation				
Infrastructure	4,492,452	145,429	-	4,637,881
Buildings and improvements	55,564,905	2,155,740	-	57,720,645
Furniture and equipment	12,961,741	1,058,110	66,686	13,953,165
Total Accumulated Depreciation	<u>73,019,098</u>	<u>3,359,279</u>	<u>66,686</u>	<u>76,311,691</u>
Net Capital Assets	<u>\$ 90,859,064</u>	<u>\$ 4,361,663</u>	<u>\$ 3,264,913</u>	<u>\$ 91,955,814</u>

Depreciation expense for the year was \$3,359,279.

Assets consisting of the Creative Arts Expansion Building in the amount of \$15,235,197 have been pledged as collateral for notes payable described in Note 10.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Fiduciary Funds

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Being Depreciated				
Buildings and improvements	\$ 5,765,625	\$ -	\$ -	\$ 5,765,625
Furniture and equipment	92,130	-	-	92,130
Total Capital Assets Being Depreciated	<u>5,857,755</u>	<u>-</u>	<u>-</u>	<u>5,857,755</u>
Less Accumulated Depreciation				
Buildings and improvements	624,609	115,313	-	739,922
Furniture and equipment	69,015	5,504	-	74,519
Total Accumulated Depreciation	<u>693,624</u>	<u>120,817</u>	<u>-</u>	<u>814,441</u>
Net Capital Assets	<u>\$ 5,164,131</u>	<u>\$ (120,817)</u>	<u>\$ -</u>	<u>\$ 5,043,314</u>

Depreciation expense in the fiduciary funds for the year was \$120,817.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll and benefits	\$ 1,090,349	\$ -
Construction	690,513	-
Vendor payables	1,626,263	44,792
Total	<u>\$ 3,407,125</u>	<u>\$ 44,792</u>

NOTE 8 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government	Fiduciary Funds
State categorical aid	\$ 1,152,344	\$ -
Schedule maintenance	109,705	-
Enrollment fees	1,559,787	26,586
Other local	85,916	-
Total	<u>\$ 2,907,752</u>	<u>\$ 26,586</u>

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 9 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On July 17, 2013, the District issued \$5,000,000 Tax and Revenue Anticipation Notes bearing interest at 2.0 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 30, 2014. By June 2014, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2013-14 2.00% TRANS	\$ -	\$ 5,000,000	\$ 5,000,000	\$ -

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2014 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds Payable					
Lease revenue refunding bonds, series 2010B	\$ 2,405,000	\$ -	\$ 345,000	\$ 2,060,000	\$ 355,000
Net debt premium	85,524	-	13,504	72,020	-
Total Bonds Payable	<u>2,490,524</u>	<u>-</u>	<u>358,504</u>	<u>2,132,020</u>	<u>355,000</u>
Other Liabilities					
Compensated absences	1,850,714	104,633	-	1,955,347	391,069
Load banking	665,210	146,571	-	811,781	162,356
Capital leases	829,911	-	224,547	605,364	234,387
Net OPEB obligation	719,637	1,995,511	2,394,109	321,039	-
PARS Supplementary Retirement Plan (SRP)	625,848	-	442,262	183,586	183,586
Total Other Liabilities	<u>4,691,320</u>	<u>2,246,715</u>	<u>3,060,918</u>	<u>3,877,117</u>	<u>971,398</u>
Total Long-Term Obligations	<u>\$ 7,181,844</u>	<u>\$ 2,246,715</u>	<u>\$ 3,419,422</u>	<u>\$ 6,009,137</u>	<u>\$ 1,326,398</u>

Description of Debt

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

At June 30, 2014, the principal balance outstanding was \$2,060,000 and unamortized premium of \$72,020, respectively. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

Debt Maturity

Lease Revenue Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2014
				Outstanding July 1, 2013	Issued	Redeemed	
2010	2019	3.00% - 4.00%	\$ 3,065,000	\$ 2,405,000	\$ -	\$ 345,000	\$ 2,060,000

The bonds mature through 2020 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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	405,000	10,575	415,575
2020	150,000	2,250	152,250
Total	\$ 2,060,000	\$ 177,300	\$ 2,237,300

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, 2014, the principal balance outstanding was \$605,364.

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

Balance, July 1, 2013	\$ 898,567
Payments	256,734
Balance, June 30, 2014	\$ 641,833

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

The capital lease has minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2015	\$ 256,732
2016	256,735
2017	128,366
Total	641,833
Less: Amount Representing Interest	36,469
Present Value of Minimum Lease Payments	<u>\$ 605,364</u>

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

Building improvements (energy efficient project)	\$ 2,234,383
Less: Accumulated Depreciation	(305,366)
Total	<u>\$ 1,929,017</u>

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

Compensated Absences and Load Banking

The long-term obligation of the compensated absences and load banking for the District at June 30, 2014, amounted to \$2,767,128.

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2014, was \$2,008,628, and contributions made by the District during the year were \$2,394,109. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$43,178 and \$(56,295), respectively, which resulted in a decrease to the net OPEB obligation of \$398,598. As of June 30, 2014, the net OPEB obligation was \$321,039. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Supplementary Retirement Plan (SRP)

The District adopted the Public Agency Retirement System (PARS) 403(b) SRP, a retirement incentive program. This SRP is designed to meet the requirements of Section 403(b) of the Internal Revenue Code of 1986, as amended, and, to the extent applicable, the Employee Retirement Income Security Act of 1974, as amended. Employees eligible to receive retirement benefits under the SRP must be a Faculty, Academic, Classified Management, Classified Non-Management, or Confidential Employee and at least age fifty-five (55) with ten (10) or more years of full-time equivalent District service from the date of the formal action taken by the District (retire during the window period in the formal action taken by the District's Governing Board of Trustees). In order for the District to reach fiscal goals, a minimum number of participants were required to enroll in the SRP during the fiscal years June 30, 2011 and 2010, which amounted to 15 each year. The benefits provided under the SRP are funded in five (5) annual contributions. As of June 30, 2014, the outstanding balance was \$183,586.

Year Ending June 30, <hr/> 2015	SRP Payment <hr/> \$ 183,586 <hr/>
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NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS OBLIGATION

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

Plan Description

The MiraCosta Community College District Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 86 retirees and beneficiaries currently receiving benefits and 433 active Plan members.

Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2013-2014, the District contributed \$2,394,109 to the Plan of which \$1,500,000 was contributed to an irrevocable trust and \$894,109 was used for current premiums.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 2,008,628
Interest on net OPEB obligation	43,178
Adjustment to annual required contribution	<u>(56,295)</u>
Annual OPEB cost (expense)	1,995,511
Contributions made	<u>(2,394,109)</u>
Change in net OPEB obligation	(398,598)
Net OPEB obligation, beginning of year	<u>719,637</u>
Net OPEB obligation, end of year	<u><u>\$ 321,039</u></u>

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percent Contributed	Net OPEB Obligation
2012	\$ 3,053,896	\$ 2,178,377	71%	\$ 774,441
2013	1,994,512	2,049,316	103%	719,637
2014	1,995,511	2,394,109	120%	321,039

Funded Status and Funding Progress

The funding status of the OPEB Plan as of July 1, 2013, actuarial valuation, is as follows:

Actuarial Accrued Liability (AAL)	\$ 19,428,276
Actuarial Value of Plan Assets	12,325,353
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 7,102,923</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	63.4%
Covered Payroll	<u>\$ 43,072,000</u>
UAAL as Percentage of Covered Payroll	<u><u>16.5%</u></u>

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

The above noted actuarial accrued liability was based on the July 1, 2013, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation, the projected unit credit method with service prorate was used. The actuarial assumptions included a six percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rates ranged from an initial nine percent to an ultimate rate of five percent. The cost trend rate used for the Dental and Vision Programs was five percent. The unfunded actuarial accrued liability is being amortized over an initial 30 years using the level-dollar method. The remaining amortization period at July 1, 2014, is 24 years. At June 30, 2014, the irrevocable trust held assets in the amount of \$15,330,614 in US Bank, the established bank account for the Retiree Health Benefit Program.

NOTE 12 - LEASE REVENUES

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

Year Ending June 30,	Lease Revenue
2015	\$ 90,750
2016	90,750
2017	90,750
2018	90,750
2019	45,375
Total	<u>\$ 408,375</u>

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 13 - RISK MANAGEMENT

Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for property and liability with coverages of \$250 million, subject to various policy limits and deductibles ranging from \$200 to \$10,000 per occurrence. The District also purchases commercial insurance for general liability claims with coverage up to \$4.5 million per occurrence and \$25 million aggregate, all subject to various deductibles. Employee health coverage benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees, their families, and retired employees of the District.

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

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2014, the District contracted with the San Diego County Schools Risk Management Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

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. In addition, there is excess worker's compensation up to the statutory limit.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Due to the implementation of the PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$2,648,407, \$2,544,662, and \$2,560,799, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. As a result of the PEPRA, changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Funding Policy

As a result of the implementation of the PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. 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 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$2,541,381, \$2,433,597, and \$2,330,566, respectively, and equal 100 percent of the required contributions for each year.

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

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

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

The minimum total contribution is 7.5 percent of employees' salaries, of which the employee contributes 3.75 percent and the District contributes the remaining 3.75 percent. District employees are covered under PARS-ARS as of June 30, 2014. Total District contributions to the plan amounted to \$80,482.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, which amounted to \$1,718,422, \$1,614,586, and \$1,537,501, respectively, (5.541 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the years ended June 30, 2014, 2013, and 2012. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Deferred Compensation

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

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

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

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

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

During the year ended June 30, 2014, the District made payments of \$852,775 and \$1,500,000 to San Diego School Risk Management and Retiree Health Benefit Program, respectively.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2009	\$ 6,556,264	\$ 26,105,049	\$ 19,548,785	25.1%	\$42,176,000	46.4%
July 1, 2011	10,439,411	25,431,972	14,992,561	41.0%	41,088,000	36.5%
July 1, 2013	12,325,353	19,428,276	7,102,923	63.4%	43,072,000	16.5%

SUPPLEMENTARY INFORMATION

MIRACOSTA COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2014

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

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. David Broad	President	2014
Ms. Jeanne Shannon	Vice President	2014
Dr. William C. Fischer	Member	2014
Mr. George McNeil	Member	2016
Mr. Leon Page	Member	2016
Mr. Ron Ruud	Member	2014
Ms. Jacqueline Simon	Member	2016

ADMINISTRATION

Dr. Richard Robertson	Interim Superintendent/President
Mr. Charlie Ng	Vice President, Business and Administrative Services
Dr. Mary Benard	Vice President, Instructional Services
Dr. Wendy Stewart	Interim Vice President, Student Services

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR			
EMPLOYMENT AND TRAINING ADMINISTRATION			
Trade Adjustment Assistance Community College and Career Training Grants Program	17.282		\$ 303,988
NATIONAL SCIENCE FOUNDATION			
Pass-Through From Montgomery County Community College The NBC2: Growing a Regional and National Bioeconomy, One Locale at a Time*	47.076	NBC2-13-005	29,111
SMALL BUSINESS ADMINISTRATION			
Pass-Through From Southwestern Community College District			
Small Business Development Center Program	59.037	NSD2013B	338,350
Small Business Jobs Act	59.037	NSD2013B	37,550
U.S. DEPARTMENT OF VETERAN AFFAIRS			
Veterans Reporting Fee	64.000		16,944
U.S. DEPARTMENT OF EDUCATION			
HIGHER EDUCATION ACT			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		162,375
Federal Work Study (FWS)	84.033		151,278
Federal Work Study (FWS) Administrative Allowance	84.033		20,910
Federal Pell Grant (PELL)	84.063		8,662,648
Federal Pell Grant Administration	84.063		12,440
Federal Direct Student Loans	84.268		1,603,041
Postsecondary Education Scholarships for Veteran's Dependents (Iraq and Afghanistan Service Grants (IASG))	84.408		5,238
Subtotal Student Financial Assistance Cluster			10,617,930
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334A		1,354,298
ADULT EDUCATION AND FAMILY LITERACY ACT			
Pass-Through From California Department of Education (CDE) WIA Title II: Adult Education and Family Literacy	84.002A	V002A130005	239,482

[1] Pass-Through Entity Identifying Number is unavailable.

* Research and Development Grant

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
PERKINS CAREER AND TECHNICAL EDUCATION ACT			
Pass-Through From California Community Colleges Chancellor's Office			
Career and Technical Education, Title IC	84.048	13-C01-032	\$ 228,243
CTE Transitions	84.048	13-112-050	44,025
Total U.S. Department of Education			<u>12,483,978</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through From California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	53,308
Pass-Through From the University Auxiliary and Research Services Corporation at California State University San Marcos			
North San Diego County Bridges to the Future	93.859	2R25GM066341-12	11,247
Total U.S. Department of Health and Human Services			<u>64,555</u>
Total Expenditures of Federal Awards			<u>\$ 13,274,476</u>

[1] Pass-Through Entity Identifying Number is unavailable.

* Research and Development Grant

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2014

Program	Program Revenues				Total Program Expenditures
	Cash Received	Accounts Receivable (Payable)	Unearned Revenue	Total Revenue	
GENERAL FUND					
Basic Skills	\$ 381,020	\$ -	\$ 216,615	\$ 164,405	\$ 164,405
Board Financial Assistance Program	351,081	-	-	351,081	351,081
Business and Entrepreneurship Center	76,324	-	-	76,324	76,324
Cal Grant	515,481	7,736	-	523,217	523,217
CalWORKs	379,336	(5,624)	-	373,712	373,712
CARE	57,182	-	-	57,182	57,182
Career Technical Education - SBCD Entrepreneurship	47,248	-	-	47,248	47,248
Career Technical Education - Community Collaborative #5	106,585	34,800	-	141,385	141,385
Career Technical Education - Community Collaborative #6	229,142	-	126,613	102,529	102,529
CTE - WIP	160,320	(21,875)	-	138,445	138,445
CTE - WIP #4	158,778	-	97,637	61,141	61,141
Disabled Students Program and Services (DSPS)	800,192	-	-	800,192	800,192
EWD - BEC	121,650	76,595	-	198,245	198,245
Extended Opportunity Program and Services (EOPS)	604,451	-	-	604,451	604,451
Instructional Equipment	135,466	-	60,027	75,439	75,439
Licensed Vocational Nurse to Registered Nurse Grant	233,520	44,480	-	278,000	278,000
Lottery	66,598	341,406	-	408,004	408,004
Matriculation - Credit	808,871	-	420,917	387,954	387,954
Matriculation - Noncredit	116,045	-	-	116,045	116,045
Part-Time Faculty Reimbursement	179,786	-	-	179,786	179,786
Proposition 39 Clean Energy Jobs Act	372,403	-	-	372,403	372,403
Scheduled Maintenance	109,705	-	109,705	-	-
Staff Diversity	5,440	-	-	5,440	5,440
AB86 Adult Education Consortium Planning Grant	126,083	-	120,830	5,253	5,253
CCC - Student Mental Health	50,719	17,443	-	68,162	68,162
YEP	39,257	-	-	39,257	39,257
Total State Categorical Programs	\$ 6,232,683	\$ 494,961	\$ 1,152,344	\$ 5,575,300	\$ 5,575,300

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2014**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2013 only)			
1. Noncredit	101.86	-	101.86
2. Credit	630.56	-	630.56
B. Summer Intersession (Summer 2014 - Prior to July 1, 2014)			
1. Noncredit	-	-	-
2. Credit	308.23	-	308.23
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	6,402.93	-	6,402.93
(b) Daily Census Contact Hours	495.05	-	495.05
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	629.30	-	629.30
(b) Credit	174.04	-	174.04
3. Alternative Attendance Procedure Courses			
(a) Weekly Census Contact Hours	1,649.26	-	1,649.26
(b) Daily Census Contact Hours	551.84	-	551.84
(c) Noncredit Independent Study/Distance Education Courses	5.30	-	5.30
D. Total FTES	<u>10,948.37</u>	<u>-</u>	<u>10,948.37</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	571.32	-	571.32
2. Credit	433.40	-	433.40
<u>CCFS-320 Addendum</u>			
Centers FTES			
1. Noncredit	641.63	-	641.63
2. Credit	1,747.55	-	1,747.55

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION*
FOR THE YEAR ENDED JUNE 30, 2014

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	\$ 15,890,323	\$ -	\$ 15,890,323	\$ 15,890,323	\$ -	\$ 15,890,323
Other	1300	13,112,962	-	13,112,962	13,135,228	-	13,135,228
Total Instructional Salaries		29,003,285	-	29,003,285	29,025,551	-	29,025,551
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	7,644,613	-	7,644,613
Other	1400	-	-	-	1,039,083	-	1,039,083
Total Noninstructional Salaries		-	-	-	8,683,696	-	8,683,696
Total Academic Salaries		29,003,285	-	29,003,285	37,709,247	-	37,709,247
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	14,008,019	-	14,008,019
Other	2300	-	-	-	1,321,578	-	1,321,578
Total Noninstructional Salaries		-	-	-	15,329,597	-	15,329,597
Instructional Aides							
Regular Status	2200	1,733,651	-	1,733,651	1,830,228	-	1,830,228
Other	2400	850,970	-	850,970	894,219	-	894,219
Total Instructional Aides		2,584,621	-	2,584,621	2,724,447	-	2,724,447
Total Classified Salaries		2,584,621	-	2,584,621	18,054,044	-	18,054,044
Employee Benefits	3000	7,126,897	-	7,126,897	16,528,014	-	16,528,014
Supplies and Material	4000	-	-	-	970,976	-	970,976
Other Operating Expenses	5000	-	-	-	5,533,695	-	5,533,695
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures							
Prior to Exclusions		38,714,803	-	38,714,803	78,795,976	-	78,795,976

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2014

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 174,745	\$ -	\$ 174,745	\$ 174,745	\$ -	\$ 174,745
Student Health Services Above Amount Collected	6441	-	-	-	20,740	-	20,740
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	425,568	-	425,568
Objects to Exclude							
Rents and Leases	5060	-	-	-	8,675	-	8,675
Lottery Expenditures							
Academic Salaries	1000	-	-	-	1,096,167	-	1,096,167
Classified Salaries	2000	-	-	-	112,346	-	112,346
Employee Benefits	3000	-	-	-	264,285	-	264,285
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 22,728	\$ -	\$ 22,728
Capital Outlay	6000						
Library Books	6300	-	-	-	5,283	-	5,283
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	5,283	-	5,283
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		174,745	-	174,745	2,130,537	-	2,130,537
Total for ECS 84362, 50 Percent Law		\$ 38,540,058	\$ -	\$ 38,540,058	\$ 76,665,439	\$ -	\$ 76,665,439
Percent of CEE (Instructional Salary Cost/Total CEE)		50.27%		50.27%	100.00%		100.00%
50% of Current Expense of Education					\$ 38,332,720		\$ 38,332,720

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

	Student Body Center Fee Trust
June 30, 2014, Annual Financial and Budget Report (CCFS-311)	
Reported Fund Balance	\$ 1,302,356
Adjustments to Increase Fund Balance	
Capital Assets	<u>5,043,314</u>
Audited Fund Balance	<u><u>\$ 6,345,670</u></u>

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$1,086,633
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	0100-5900	\$ -		\$ 340,973	\$ 340,973
Academic Information Systems and Technology	6150	-	-	270,066	270,066
Building Maintenance and Repairs	6510	-	-	359,503	359,503
Management Information Systems	6780	-	-	116,091	116,091
Total Expenditures for EPA		\$ -	\$ -	\$ 1,086,633	\$1,086,633
Revenues Less Expenditures					\$ -

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2014

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

Total Fund Balance:

General Funds	\$19,028,147	
Capital Project Funds	4,343,910	
Debt Service Funds	507,936	
Enterprise Funds	835,625	
Internal Service Funds	177,340	
Total Fund Balance - All District Funds		\$ 24,892,958

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

The cost of capital assets is	168,267,505	
Accumulated depreciation is	(76,311,691)	
Less fixed assets already recorded in the enterprise funds	(22,369)	91,933,445

Long-term obligations at year end consist of:

Bonds payable	2,132,020	
Capital leases payable	605,364	
Compensated absences (less amount set up in Governmental Funds)	1,564,278	
Load banking (less amount set up in Governmental Funds)	649,425	
Net OPEB obligation	321,039	
PARS Supplementary Retirement Plan (SRP)	183,586	(5,455,712)
Total Net Position		\$ 111,370,691

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

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

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

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Position:		\$ 13,269,257
Federal Pell Grant (PELL)	84.063	8,060
Temporary Assistance for Needy Families (TANF)	93.558	(2,841)
Total Expenditures of Federal Awards		<u>\$ 13,274,476</u>

Schedule of Expenditures of State Awards

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

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

FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2014

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

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

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

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
MiraCosta Community College District
Oceanside, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the business-type activities of MiraCosta Community College District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vauriney, Tine, Day & Co., LLP.

Rancho Cucamonga, California
December 16, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 (the District) 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 the District's major Federal programs for the year ended June 30, 2014. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with 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 the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, 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 the District's compliance with those requirements and performing such other procedures as we consider 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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types 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 the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness 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.

Vaurine, Time, Day & Co., LLP.
Rancho Cucamonga, California
December 16, 2014



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
MiraCosta Community College District
Oceanside, California

Report on State Compliance

We have audited MiraCosta Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in December 2013 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in December 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2014.

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

- 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 430 Schedule Maintenance Program
- Section 431 Gann Limit Calculation
- Section 435 Open Enrollment
- Section 438 Student Fees – Health Fees and Use of Health Fee Funds
- Section 439 Proposition 39 Clean Energy
- 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 (TBA) Hours
- Section 490 Proposition 1D State Bond Funded Projects
- Section 491 Proposition 30 Education Protection Account Funds

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

The District reports no attendance within classes subject to the TBA Hours; therefore, the compliance tests within this section were not applicable.

Vaurine, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 16, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.268, 84.408	<u>Student Financial Assistance Cluster</u>
<u>84.334A</u>	<u>Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)</u>
<u>17.282</u>	<u>Trade Adjustment Assistance Community College and Career Training Grants Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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MIRACOSTA COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

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

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.