

**MIRACOSTA  
COMMUNITY COLLEGE DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2015**

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

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***FINANCIAL SECTION***

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## 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 and the aggregate remaining fund information of MiraCosta Community College District (the District) as of and for the year ended June 30, 2015, 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 respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 2 and 16 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 18, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 62, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 63, and the Schedule of District Contributions on page 64 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 10, 2015, 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.

*Vauinek, Tine, Day & Co., LLP*

Rancho Cucamonga, California  
December 10, 2015



**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

1 Barnard Drive, Oceanside, CA 92056  
▶ P 760.757.2121 ▶ F 760.795.6609 ▶ www.miracosta.edu

***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, 2015. 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 two centers. 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, a 7.6-acre Community Learning Center in Oceanside, and a new 22,627-square-foot Technology Career Institute and North San Diego Small Business Development Center in Carlsbad. 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.

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**Community Learning Center**

1831 Mission Avenue, Oceanside, CA 92058  
▶ P 760.795.8710 ▶ F 760.795.8730

**Oceanside Campus**

1 Barnard Drive, Oceanside, CA 92056  
▶ P 760.757.2121 ▶ F 760.795.6609

**San Elijo Campus**

3333 Manchester Avenue, Cardiff, CA 92007  
▶ P 760.944.4449 ▶ F 760.634.7875

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

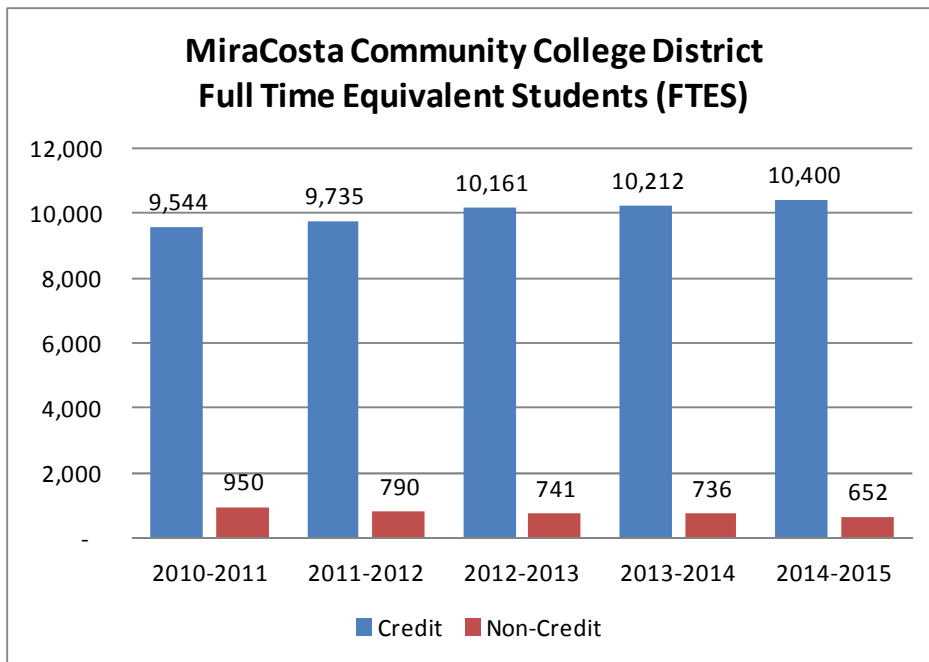
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Full-Time Equivalent Student Growth**

During 2014-2015, total full-time equivalent students (FTES) increased slightly from 10,948 to 11,052 for credit and non-credit courses. Credit FTES increased by 1.8 percent while noncredit FTES decreased by 11.5 percent. Non-credit vocational class sections were reduced and replaced with additional class sections for Basic Skills.

Full-Time Equivalent Students (FTES)	Fiscal Year 2010-2011	Fiscal Year 2011-2012	Fiscal Year 2012-2013	Fiscal Year 2013-2014	Fiscal Year 2014-2015
Total Credit FTES	9,544	9,735	10,161	10,212	10,400
Total Non-Credit FTES	950	790	741	736	652
<b>Total FTES</b>	<b>10,494</b>	<b>10,525</b>	<b>10,901</b>	<b>10,948</b>	<b>11,052</b>
Total Credit FTES % Change Year to Year	-1.3%	2.0%	4.4%	0.5%	1.8%
Total Non-Credit FTES % Change Year to Year	-15.9%	-16.8%	-6.2%	-0.6%	-11.5%
Total FTES % Change Year to Year	-2.9%	0.3%	3.6%	0.4%	0.9%

\*Source: P3 Recalc 10/23/2015





# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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### 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, 2015

A Statement of Net Position as of June 30, 2015 and 2014, is summarized below:

(Amounts in thousands)

	2015	2014 as restated	Change	Percentage Change
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 44,328	\$ 28,561	\$ 15,767	55.20%
Accounts receivable	4,354	3,103	1,251	40.32%
Due from fiduciary funds	14	41	(27)	-65.85%
Prepaid expenses	68	40	28	70.00%
Total Current Assets	<u>48,764</u>	<u>31,745</u>	<u>17,019</u>	<u>53.61%</u>
Other postemployment benefits other than pensions (OPEB) asset	824	-	824	-
Capital assets (net)	92,432	91,956	476	0.52%
Total Assets	<u>142,020</u>	<u>123,701</u>	<u>18,319</u>	<u>14.81%</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Current year pension contribution	<u>6,249</u>	<u>5,368</u>	<u>881</u>	<u>16.41%</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	4,662	3,407	1,255	36.84%
Due to fiduciary funds	89	6	83	1383.33%
Unearned revenue	4,804	2,908	1,896	65.20%
Current portion of long-term obligations other than pensions	1,382	1,326	56	4.22%
Total Current Liabilities	<u>10,937</u>	<u>7,647</u>	<u>3,290</u>	<u>43.02%</u>
<b>Noncurrent Liabilities</b>				
Noncurrent long-term obligations other than pensions	16,501	4,683	11,818	252.36%
Aggregate net pension obligation	69,053	87,719	(18,666)	-21.28%
Total Noncurrent Liabilities	<u>85,554</u>	<u>92,402</u>	<u>(6,848)</u>	<u>-7.41%</u>
Total Liabilities	<u>96,491</u>	<u>100,049</u>	<u>(3,558)</u>	<u>-3.56%</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Difference between projected and actual earnings on pension plan investments	<u>19,331</u>	<u>-</u>	<u>19,331</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	88,316	89,219	(903)	-1.01%
Restricted	8,310	6,394	1,916	29.97%
Unrestricted	(64,179)	(66,593)	2,414	-3.63%
Total Net Position	<u>\$ 32,447</u>	<u>\$ 29,020</u>	<u>\$ 3,427</u>	<u>11.81%</u>

## MIRACOSTA COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

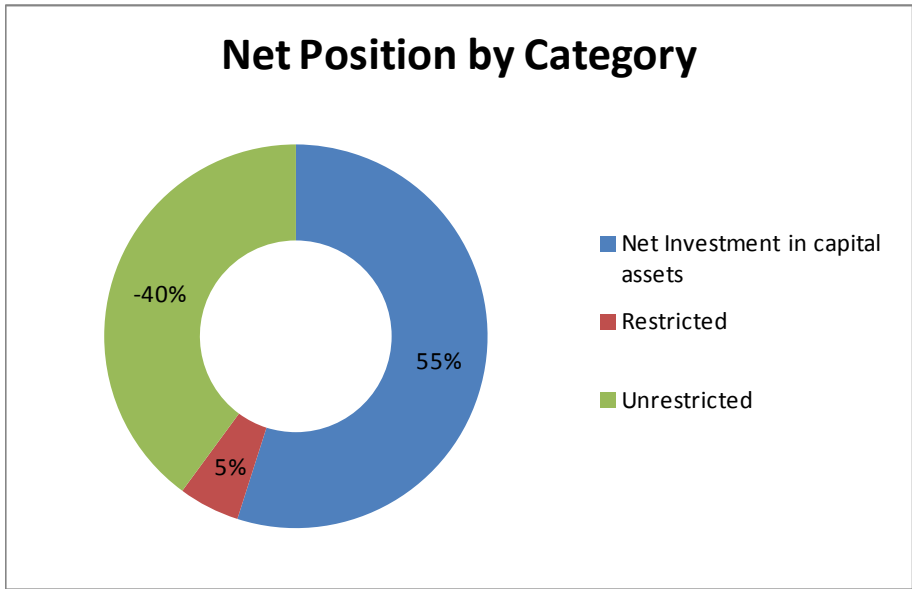
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- Cash and investments increased \$15.8 million over 2015. Cash and investments include cash deposited in the San Diego County Treasury along with investments with fiscal agents related to a lease revenue bond. Additional deposits of funds are held with various financial institutions. The increase in cash and investments for the 2014-2015 fiscal year is primarily due to an increase in revenue from the 2015 lease revenue bond committed for capital projects for the next three years and a net increase to the general unrestricted fund balance from higher revenue increases (6.0 percent) relative to expenditures (4.1 percent) from prior year actuals.
- The accounts receivable balance includes receivables for categorical programs and/or grants, lottery proceeds, and 4th quarter interest. Accounts receivable increased \$1.3 million from 2014 to 2015. The increase of the accounts receivable balance year over year is due to the timing of actual cash received after the year-end cut off for June revenues: some of these were Financial Aid \$535 thousand, TAACCT, Lottery funds, Go Biz fund, and Small Business grants make up the remaining accounts receivable increases.
- 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. The increase of \$1.3 million from the prior year is from \$543 financial aid disbursed in July and other payables due to the volume and timing of invoices in June paid in July.
- 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 \$1.9 million 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 increased \$56 thousand.
- The non-current liabilities decreased \$6.8 million. The non-pension long-term obligation increased by \$11.8 million from the debt obligation of the fifteen (15) years lease revenue bond issued in February 2015. The District implemented GASB Statement No. 68 and No. 71; thus, the proportionate share of the aggregate net pension (California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS)) obligation was \$69 million, a decrease of \$18.7 million (see Notes 9 and 13). Actuarial studies were performed by CalSTRS and CalPERS, where the District's proportionate share were 0.0773% for CalSTRS and 0.2105% for CalPERS.
- 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 \$3.4 million.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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**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, 2015

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2015 and 2014, is summarized below:

(Amounts in thousands)

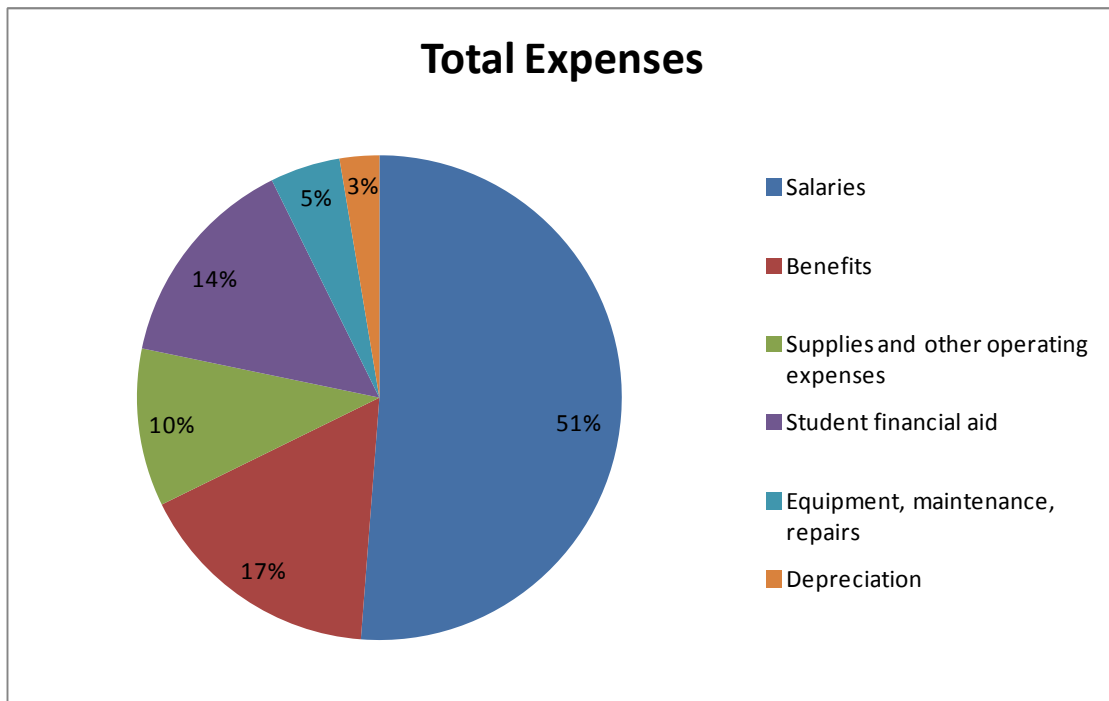
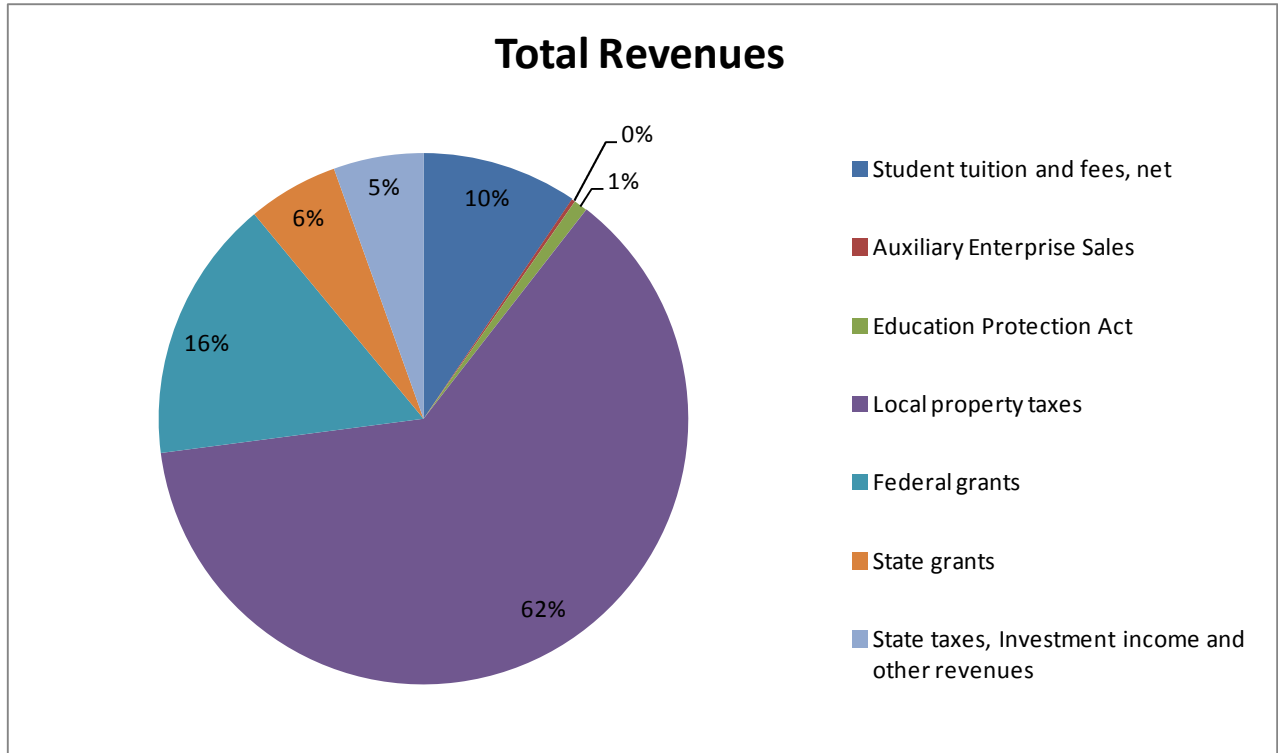
	2015	2014	Change	Percentage Change
Operating Revenues				
Tuition and fees	\$ 12,615	\$ 12,250	\$ 365	2.98%
Auxiliary sales and charges	293	266	27	10.15%
Total Operating Revenues	<u>12,908</u>	<u>12,516</u>	<u>392</u>	<u>3.13%</u>
Total Operating Expenses	<u>129,406</u>	<u>114,404</u>	<u>15,002</u>	<u>13.11%</u>
Operating Loss	<u>(116,498)</u>	<u>(101,888)</u>	<u>(14,610)</u>	<u>14.34%</u>
Nonoperating Revenues (Expenses)				
Grants and contracts	28,762	18,565	10,197	54.93%
Local property taxes	83,115	78,142	4,973	6.36%
State and other revenues	4,450	3,976	474	11.92%
Investment income, net	(60)	27	(87)	-322.22%
Transfers from fiduciary funds, net	(123)	(5)	(118)	2360.00%
Other nonoperating revenues	3,680	2,817	863	30.64%
Total Nonoperating Revenue (Expenses)	<u>119,824</u>	<u>103,522</u>	<u>16,302</u>	<u>15.75%</u>
Other Revenues, Gains, and Losses				
State revenues, capital	110	-	110	-
Local revenues, capital	9	-	9	-
Loss on disposal of capital assets	(18)	(9)	(9)	100.00%
Total Other Revenues, Gains, and Losses	<u>101</u>	<u>(9)</u>	<u>110</u>	<u>-1222.22%</u>
Net Change in Net Position	<u>\$ 3,427</u>	<u>\$ 1,625</u>	<u>\$ 1,802</u>	<u>110.89%</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 \$365 thousand.
- Total operating expenses includes employee salaries and benefits, supplies, operating expenses, and student financial aid. Operating expenses increased by \$15.0 million.
- Grants and contracts increased \$10.2 million, primarily from higher financial aid grants.
- Local property taxes increased \$5.0 million, from higher assessed property values from prior year.
- The change in total non-operating revenue increased \$16.3 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, 2015**

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# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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Expenses are reported by their operating categories as follows:

(Amounts in thousands)

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Operating Expenses			
Salaries	\$ 66,270	\$ 64,130	\$ 2,140
Employee benefits	21,388	20,038	1,350
Supplies, materials, and other operating expenses and services	19,651	16,452	3,199
Student financial aid	18,678	10,425	8,253
Depreciation	3,419	3,359	60
Total Operating Expenses	<u>\$ 129,406</u>	<u>\$ 114,404</u>	<u>\$ 15,002</u>

- Salaries and benefits increased \$2.1 million. This is primarily due to the following: step and column increases; hiring of full-time positions; and conversion of hourly positions to full-time positions.
- Supplies, materials, and other operating expenses increased \$3.2 million due to the following factors: increase in scheduled maintenance; increase in instructional equipment; higher operational expenditures from higher grant/categorical funding; higher utilities expenses, and various other higher services expenses.
- Student financial aid increased \$8.2 million due to an increase in applicants.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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	\$ 41,039	\$ 3,115	\$ 955
Instructional Administration and	16	4,151	210
Instructional Support Services	1,093	4,354	405
Admissions and Records	-	1,894	41
Student Counseling and Guidance	12	5,229	159
Other Student Services	49	6,500	1,885
Operation and Maintenance of Plant	-	3,988	2,685
Planning, Policymaking, and Coordination	3	1,319	455
General Institutional Support Services	-	8,054	3,665
Community Services and			
Economic Development	-	2,035	1,647
Ancillary Services	466	2,273	1,044
Auxiliary Operations	-	474	256
Physical Property and Related Acquisitions	-	1,594	195
Student Aid	-	-	-
Depreciation Expense	-	-	-
Total	<u>\$ 42,678</u>	<u>\$ 44,980</u>	<u>\$ 13,602</u>

(Amounts in thousands)

	Equipment, Maintenance, and Repairs	Student Financial Aid	Depreciation	Total
Instructional Activities	\$ 984	\$ -	\$ -	\$ 46,093
Instructional Administration and	107	-	-	4,484
Instructional Support Services	1,493	-	-	7,345
Admissions and Records	4	-	-	1,939
Student Counseling and Guidance	17	-	-	5,417
Other Student Services	725	-	-	9,159
Operation and Maintenance of Plant	607	-	-	7,280
Planning, Policymaking, and Coordination	8	-	-	1,785
General Institutional Support Services	1,042	-	-	12,761
Community Services and				
Economic Development	1,023	-	-	4,705
Ancillary Services	39	-	-	3,822
Auxiliary Operations	-	-	-	730
Physical Property and Related Acquisitions	-	-	-	1,789
Student Aid	-	18,679	-	18,679
Depreciation Expense	-	-	3,418	3,418
Total	<u>\$ 6,049</u>	<u>\$ 18,679</u>	<u>\$ 3,418</u>	<u>\$ 129,406</u>



# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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### Statement of Cash Flows

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

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

The Statement of Cash Flows for the year ended June 30, 2015 and 2014, is summarized below:

(Amounts in thousands)

	2015	2014	Change
Cash Provided by (Used in)			
Operating activities	\$ (112,147)	\$ (99,413)	\$ (12,734)
Noncapital financing activities	119,211	104,111	15,100
Capital financing activities	8,575	(6,125)	14,700
Investing activities	127	105	22
Net Change in Cash	15,766	(1,322)	17,088
Cash, Beginning of Year	28,561	29,883	(1,322)
Cash, End of Year	<u>\$ 44,327</u>	<u>\$ 28,561</u>	<u>\$ 15,766</u>

A detailed Statement of Cash Flows for the year ended June 30, 2015, is included in the Basic Financial Statements on pages 21 and 22 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 \$12.7 million.
- Property tax revenue account for approximately 70 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 \$22 thousand.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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### *DISTRICT'S FIDUCIARY RESPONSIBILITY*

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

### *CAPITAL ASSET AND DEBT ADMINISTRATION*

#### **Capital Assets**

- As of June 30, 2015, the District had \$92.4 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 \$476 thousand during 2014-2015, 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)

	2015	2014	Change
Land and construction in progress	\$ 6,306	\$ 8,537	\$ (2,231)
Buildings and improvements	82,950	80,334	2,616
Furniture and equipment	3,176	3,085	91
Net Capital Assets	<u>\$ 92,432</u>	<u>\$ 91,956</u>	<u>\$ 476</u>

#### **Debt**

- At June 30, 2015, the District had \$14.4 million in debt in revenue bonds payable which reflect an increase of \$12.3 million. The increase is due to the 15 year Lease Revenue Bond issued on February 2015 for \$12.6 million for capital improvement projects, offset by payments of \$355 thousand for the 2010B Lease Revenue Refunding Bond.
- Compensated absences and load banking increased \$332 thousand from the prior year.
- At June 30, 2015, the District had \$371 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 debt payments will be completed in fiscal year 2016-2017.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

- The District contributed 145 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 \$925 thousand went directly to retirees. The Other Postemployment Benefit (OPEB) Trust balance at the end of June 30, 2015 represented a Funded Ratio of 85.7 percent. Note 10 (page 47) provides additional information on the plan and the obligation.
- The District implemented GASB Statement No. 68 and No. 71; thus, the proportionate share of the aggregate net pension (CalSTRS and CalPERS) obligation was \$69 million, a decrease of \$18.7 million (see Notes 9 and 13). Actuarial studies were performed by CalSTRS and CalPERS, where the District's proportionate share were 0.0773 percent for CalSTRS and 0.2105 percent for CalPERS

Note 9 in the financial statements provides additional information on long-term obligations. A summary of long-term obligation is presented below:

(Amounts in thousands)

	2015	2014 as restated	Change
Revenue bonds payable	\$ 14,413	\$ 2,132	\$ 12,281
Compensated absences and load banking	3,099	2,767	332
Capital leases	371	605	(234)
Net OPEB obligation	-	321	(321)
Aggregate net pension obligation	69,053	87,719	(18,666)
PARS Supplementary Retirement Plan (SRP)	-	184	(184)
Total Long-Term Obligations	<u>\$ 86,936</u>	<u>\$ 93,728</u>	<u>\$ (6,792)</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 a 6 percent steady growth in California's economic health. According to the November 2014, *California's Fiscal Outlook*, issued by the LAO, the State budget situation is positive from two years 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 California in that it is primarily funded by property taxes. 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 fiscal year 2015-2016. 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 the District's ability to react to internal and external issues if and when they arise.

# **MIRACOSTA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

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### ***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, 2015

### ASSETS

#### Current Assets

Cash and cash equivalents	\$ 2,130,524
Investments	42,196,974
Accounts receivable	3,779,580
Student accounts receivable	574,477
Due from fiduciary funds	14,379
Prepaid expenses	68,049
<b>Total Current Assets</b>	<b>48,763,983</b>

#### Noncurrent Assets

Net other postemployment benefits (OPEB) asset	824,383
Nondepreciable capital assets	6,305,398
Depreciable capital assets, net of depreciation	86,126,241
<b>Total Noncurrent Assets</b>	<b>93,256,022</b>

#### **TOTAL ASSETS**

**142,020,005**

### DEFERRED OUTFLOWS OF RESOURCES

Current year pension contribution	6,248,946
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### LIABILITIES

#### Current Liabilities

Accounts payable	4,531,957
Accrued interest payable	129,892
Due to fiduciary funds	89,382
Unearned revenue	4,803,496
Current portion of long-term obligations other than pensions	1,382,266
<b>Total Current Liabilities</b>	<b>10,936,993</b>

#### Noncurrent Liabilities

Noncurrent portion of long-term obligations other than pensions	16,500,809
Aggregate net pension obligation	69,053,083
<b>Total Noncurrent Liabilities</b>	<b>85,553,892</b>

#### **TOTAL LIABILITIES**

**96,490,885**

### DEFERRED INFLOWS OF RESOURCES

Difference between projected and actual earnings on pension plan investments	19,331,148
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### NET POSITION

Net investment in capital assets	88,316,049
Restricted for:	
Debt service	1,352,854
Capital projects	5,287,204
Educational programs	1,670,128
Unrestricted	(64,179,317)
<b>TOTAL NET POSITION</b>	<b>\$ 32,446,918</b>

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, 2015

<b>OPERATING REVENUES</b>	
Student Tuition and Fees	\$ 19,809,348
Less: Scholarship discount and allowance	(7,194,088)
Net tuition and fees	<u>12,615,260</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	266,630
Cafeteria	26,492
<b>TOTAL OPERATING REVENUES</b>	<u>12,908,382</u>
<b>OPERATING EXPENSES</b>	
Salaries	66,269,843
Employee benefits	21,388,128
Supplies, materials, and other operating expenses and services	13,602,153
Student financial aid	18,678,265
Equipment, maintenance, and repairs	6,049,114
Depreciation	3,418,413
<b>TOTAL OPERATING EXPENSES</b>	<u>129,405,916</u>
<b>OPERATING LOSS</b>	<u>(116,497,534)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Education Protection Act	1,101,913
Local property taxes, levied for general purposes	83,114,555
Federal grants	21,404,996
State grants	7,357,292
State taxes and other revenues	3,348,548
Investment income	137,089
Interest expense on capital related debt	(198,911)
Investment income on capital asset-related debt, net	1,819
Transfer to fiduciary funds	(123,119)
Other nonoperating revenue	3,679,522
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>119,823,704</u>
<b>INCOME BEFORE OTHER REVENUES AND LOSSES</b>	<u>3,326,170</u>
<b>OTHER REVENUES AND LOSSES</b>	
State revenues, capital	109,705
Local revenues, capital	8,658
Loss on disposal of capital assets	(17,491)
<b>TOTAL OTHER REVENUES AND LOSSES</b>	<u>100,872</u>
<b>CHANGE IN NET POSITION</b>	3,427,042
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	<u>29,019,876</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 32,446,918</u></u>

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

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT  
FOR THE YEAR ENDED JUNE 30, 2015**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees	\$ 12,394,620
Payments to vendors for supplies and services	(17,291,345)
Payments to or on behalf of employees	(88,864,777)
Payments to students for scholarships and grants	(18,678,265)
Auxiliary enterprise sales and charges	293,122
<b>Net Cash Flows From Operating Activities</b>	<u>(112,146,645)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Grant and contracts	28,530,304
Property taxes - nondebt related	83,114,555
State taxes and other apportionments	4,172,331
Other nonoperating	3,393,950
<b>Net Cash Flows From Noncapital Financing Activities</b>	<u>119,211,140</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Purchase of capital assets	(4,106,595)
Proceeds from capital debt	12,650,000
Principal paid on capital debt	(602,890)
Interest paid on capital debt	(69,019)
Revenues, grants, and gifts, capital	701,402
Interest received on capital asset-related debt	1,819
<b>Net Cash Flows From Capital Financing Activities</b>	<u>8,574,717</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received from investments	<u>127,567</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	15,766,779
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	28,560,719
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 44,327,498</u></u>

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, 2015**

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

Operating Loss	<u>\$ (116,497,534)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	3,418,413
Changes in Assets, Liabilities, Deferred Outflows, and Deferred Inflows	
Receivables, net	(191,112)
Prepaid expenses	(28,173)
Accounts payable and accrued liabilities	1,403,325
Unearned revenue	961,521
Net other postemployment benefits (OPEB) asset	(1,145,422)
Current year pension contribution	(880,989)
Compensated absences	151,076
Load banking	180,377
PARS Supplementary Retirement Plan	(183,586)
Aggregate net pension obligation	(18,665,689)
Difference between projected and actual earnings on pension plan investments	19,331,148
<b>Total Adjustments</b>	<u>4,350,889</u>
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$ (112,146,645)</u></u>

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

Cash in banks	\$ 2,130,524
Cash in county treasury	41,878,197
U.S. Federated Cash Reserves	318,777
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 44,327,498</u></u>

**NONCASH TRANSACTIONS**

On behalf payments for benefits	<u><u>\$ 1,751,651</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, 2015**

	<u>Trust</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 23,454	\$ 298,443
Investments	1,283,063	-
Accounts receivable	6,823	767
Due from primary government	89,382	-
Fixed assets, net of depreciation	4,923,260	-
<b>Total Assets</b>	<u>6,325,982</u>	<u>\$ 299,210</u>
<b>LIABILITIES</b>		
Accounts payable	85,609	\$ 3,402
Due to primary government	14,379	-
Unearned revenue	38,910	-
Due to student groups	-	295,808
<b>Total Liabilities</b>	<u>138,898</u>	<u>\$ 299,210</u>
<b>NET POSITION</b>		
Unreserved	6,187,084	
<b>Total Net Position</b>	<u>\$ 6,187,084</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, 2015

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	<u>Trust</u>
<b>ADDITIONS</b>	
Local revenues	\$ 168,306
<b>DEDUCTIONS</b>	
Classified salaries	63,877
Employee benefits	12,283
Books and supplies	63,497
Services and operating expenditures	120,583
Capital outlay	136,236
Depreciation	120,054
<b>Total Deductions</b>	<u>516,530</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfer from primary government	123,119
Other uses	(13,540)
<b>Total Other Financing Sources (Uses)</b>	<u>109,579</u>
<b>Change in Net Position</b>	(238,645)
<b>Net Position - Beginning</b>	<u>6,425,729</u>
<b>Net Position - Ending</b>	<u>\$ 6,187,084</u>

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

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### ***NOTE 1 - ORGANIZATION***

The MiraCosta Community College District (the District) was established in 1934 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund and capital project funds, but these budgets are managed at the department level. Currently, the District operates two campuses and one center. The main campus, MiraCosta College, is located on a 121-acre site in the city of Oceanside. The District also operates the 42-acre San Elijo campus in the city of Cardiff, a 7.6-acre Community Learning Center in Oceanside, and a new 22,627-square-foot Technology Career Institute and North San Diego Small Business Development Center in Carlsbad. 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, 2015**

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

### **MiraCosta College Foundation**

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

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

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

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

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. 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, 2015**

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

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

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 39. 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, 2015, 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, 2015

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### **Accounts Receivable**

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

### **Prepaid Expenses**

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

### **Capital Assets and Depreciation**

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

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

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

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

### **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.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the current year pension contributions.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

### **Pensions**

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

### **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.

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.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### Noncurrent Liabilities

Noncurrent liabilities include bonds payable, compensated absences, load banking, capital lease obligations, PARS Supplementary Retirement Plan, and the aggregate net pension obligation 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.

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 \$8,310,186 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.



# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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**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.

### 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*.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 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 Primary Government and Fiduciary Funds' financial statements, respectively.

### Change in Accounting Principles

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 nonemployer 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, nonemployer 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.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources and 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.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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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 nonemployer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

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.

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.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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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 District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$82,350,815. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as the information was not available.

### **New Accounting Pronouncements**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of State and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

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

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) 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 Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of State and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to 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 defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**NOTE 3 - DEPOSITS AND INVESTMENTS**

**Policies and Practices**

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

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

**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, 2015**

**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, 2015, consist of the following:

	Primary Government	Fiduciary Funds
Cash on hand and in banks	\$ 2,080,524	\$ 321,897
Cash in revolving	50,000	-
Investments	42,196,974	1,283,063
Total Deposits and Investments	<u>\$ 44,327,498</u>	<u>\$ 1,604,960</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	\$ 318,777	55
San Diego County Investment Pool	43,183,400	356
Total	<u>\$ 43,502,177</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, 2015**

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**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the bank balance totaled \$1,798,445 of which \$1,298,445 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 \$1,798,445 consisted of \$1,463,362 in District funds and \$335,083 in fiduciary funds.

**NOTE 4 - ACCOUNTS RECEIVABLE**

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

The accounts receivable are as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Federal Government		
Categorical aid	\$ 1,480,798	\$ -
State Government		
Categorical aid	331,757	-
Lottery	969,957	-
Local Sources		
Interest	45,957	1,303
Third Party Billing	185,397	-
Student Community Service	133,583	-
Property Taxes	160,355	-
Other local sources	471,776	6,287
Total	<u>\$ 3,779,580</u>	<u>\$ 7,590</u>
Student receivables	<u>\$ 574,477</u>	<u>\$ -</u>

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### *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, 2015, the amount owed to the primary government and the fiduciary funds were \$14,379 and \$89,382, 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 2015 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to \$123,119.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, 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	3,171,065	2,803,793	5,035,741	939,117
Total Capital Assets Not Being Depreciated	<u>8,537,346</u>	<u>2,803,793</u>	<u>5,035,741</u>	<u>6,305,398</u>
Capital Assets Being Depreciated				
Infrastructure	6,973,451	-	-	6,973,451
Buildings and improvements	135,718,770	4,604,971	-	140,323,741
Furniture and equipment	17,037,938	1,538,706	436,451	18,140,193
Total Capital Assets Being Depreciated	<u>159,730,159</u>	<u>6,143,677</u>	<u>436,451</u>	<u>165,437,385</u>
Total Capital Assets	<u>168,267,505</u>	<u>8,947,470</u>	<u>5,472,192</u>	<u>171,742,783</u>
Less Accumulated Depreciation				
Infrastructure	4,637,881	164,216	-	4,802,097
Buildings and improvements	57,720,645	2,243,270	418,960	59,544,955
Furniture and equipment	13,953,165	1,010,927	-	14,964,092
Total Accumulated Depreciation	<u>76,311,691</u>	<u>3,418,413</u>	<u>418,960</u>	<u>79,311,144</u>
Net Capital Assets	<u>\$ 91,955,814</u>	<u>\$ 5,529,057</u>	<u>\$ 5,053,232</u>	<u>\$ 92,431,639</u>

Depreciation expense for the year was \$3,418,413.

Assets consisting of the Creative Arts Expansion Building in the amount of \$15,053,899, the Administration Building in the amount of \$3,912,594, the Library and Information Hub in the amount of \$12,088,954, and the Theater Building in the amount of \$3,163,394 have been pledged as collateral for lease agreements described in Note 9.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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	739,922	115,313	-	855,235
Furniture and equipment	74,519	4,741	-	79,260
Total Accumulated Depreciation	<u>814,441</u>	<u>120,054</u>	<u>-</u>	<u>934,495</u>
Net Capital Assets	<u>\$ 5,043,314</u>	<u>\$ (120,054)</u>	<u>\$ -</u>	<u>\$ 4,923,260</u>

Depreciation expense in the fiduciary funds for the year was \$120,054.

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll and benefits	\$ 1,096,628	\$ -
Construction	495,647	-
Other payables	570,941	-
Vendor payables	2,368,741	89,011
Total	<u>\$ 4,531,957</u>	<u>\$ 89,011</u>

**NOTE 8 - UNEARNED REVENUE**

Unearned revenue consisted of the following:

	Primary Government	Fiduciary Funds
State categorical aid	\$ 1,485,904	\$ -
Federal categorical aid	17,624	-
Schedule maintenance	692,744	-
Enrollment fees	1,530,259	38,910
Other local	1,076,965	-
Total	<u>\$ 4,803,496</u>	<u>\$ 38,910</u>

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District's long-term obligations during the 2015 fiscal year consisted of the following:

	Balance Beginning of Year as restated	Additions	Deductions	Balance End of Year	Due in One Year
<b>Bonds Payable</b>					
Lease revenue refunding bonds, series 2010B	\$ 2,060,000	\$ -	\$ 355,000	\$ 1,705,000	\$ 370,000
Net debt premium	72,020	-	13,504	58,516	-
Lease purchase agreement - 2015	-	12,650,000	-	12,650,000	640,000
<b>Total Bonds Payable</b>	<b>2,132,020</b>	<b>12,650,000</b>	<b>368,504</b>	<b>14,413,516</b>	<b>1,010,000</b>
<b>Other Liabilities</b>					
Compensated absences	1,955,347	151,076	-	2,106,423	46,354
Load banking	811,781	180,377	-	992,158	81,254
Capital leases	605,364	-	234,386	370,978	244,658
Net OPEB obligation	321,039	1,675,562	1,996,601	-	-
Aggregate net pension obligation	87,718,772	-	18,665,689	69,053,083	-
PARS Supplementary Retirement Plan (SRP)	183,586	-	183,586	-	-
<b>Total Other Liabilities</b>	<b>91,595,889</b>	<b>2,007,015</b>	<b>21,080,262</b>	<b>72,522,642</b>	<b>372,266</b>
<b>Total Long-Term Obligations</b>	<b>\$ 93,727,909</b>	<b>\$ 14,657,015</b>	<b>\$ 21,448,766</b>	<b>\$ 86,936,158</b>	<b>\$ 1,382,266</b>

**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. Pension expense related to the aggregate net pension obligation will be paid by the fund for which the employee worked. See Note 13 for further details of the aggregate net pension obligation. 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.

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, 2015, the principal balance outstanding was \$1,705,000 and unamortized premium of \$58,516, respectively. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Debt Maturity**

**Lease Revenue Bonds**

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2015
				Outstanding July 1, 2014	Issued	Redeemed	
2010	2019	3.00% - 4.00%	\$ 3,065,000	<u>\$ 2,060,000</u>	<u>\$ -</u>	<u>\$ 355,000</u>	<u>\$ 1,705,000</u>

The bonds mature through 2020 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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	<u>\$ 1,705,000</u>	<u>\$ 117,125</u>	<u>\$ 1,822,125</u>

**Lease/Purchase Agreement**

In February 2015, the District entered into a lease/purchase agreement in the amount of \$12,650,000 with the California Community College Financing Authority to finance various capital improvement projects, including but not limited to: classroom modernization, building renovations, construction of new allied health instructional building, relocation of Community Services and small business development centers, and other improvements to District infrastructure.

As of June 30, 2015, the principal balance outstanding is \$12,650,000. The lease/purchase agreement matures through 2030 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ 640,000	\$ 422,858	\$ 1,062,858
2017	695,000	365,779	1,060,779
2018	720,000	344,149	1,064,149
2019	740,000	321,669	1,061,669
2020	765,000	298,648	1,063,648
2021-2025	4,200,000	1,120,048	5,320,048
2026-2030	4,890,000	424,720	5,314,720
Total	<u>\$ 12,650,000</u>	<u>\$ 3,297,871</u>	<u>\$ 15,947,871</u>

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 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, 2015, the principal balance outstanding was \$370,978.

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

Balance, July 1, 2014	\$ 641,833
Payments	256,732
Balance, June 30, 2015	<u>\$ 385,101</u>

The capital lease has minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2016	\$ 256,735
2017	128,366
Total	385,101
Less: Amount Representing Interest	14,123
Present Value of Minimum Lease Payments	<u>\$ 370,978</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	(350,053)
Total	<u>\$ 1,884,330</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, 2015, amounted to \$3,098,581.

### Aggregate Net Pension Obligation

As of June 30, 2015, the aggregate net pension obligation was \$69,053,083. See Note 13 for additional information.



# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### **Supplementary Retirement Plan (SRP)**

The District adopted the Public Agency Retirement System (PARS) 403(b) SRP, a retirement incentive program. This SRP is designed to meet the requirements of Section 403(b) of the Internal Revenue Code of 1986, as amended, and, to the extent applicable, the Employee Retirement Income Security Act of 1974, as amended. Employees eligible to receive retirement benefits under the SRP must be a Faculty, Academic, Classified Management, Classified Non-Management, or Confidential Employee and at least age fifty-five (55) with ten (10) or more years of full-time equivalent District service from the date of the formal action taken by the District (retire during the window period in the formal action taken by the District's Governing Board of Trustees). In order for the District to reach fiscal goals, a minimum number of participants were required to enroll in the SRP during the fiscal years June 30, 2011 and 2010, which amounted to 15 each year. The benefits provided under the SRP are funded in five (5) annual contributions. As of June 30, 2015, the liability was paid in full.

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

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

#### **Plan Description**

The MiraCosta Community College District Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 96 retirees and beneficiaries currently receiving benefits and 475 active Plan members.

#### **Contribution Information**

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 2014-2015, the District contributed \$2,424,872 to the Plan of which \$1,500,000 was contributed to an irrevocable trust and \$924,872 was used for current premiums.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

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 (asset) to the Plan:

Annual required contribution	\$ 1,682,394
Interest on net OPEB obligation	19,262
Adjustment to annual required contribution	(26,094)
Annual OPEB cost (expense)	<u>1,675,562</u>
Change in value of irrevocable trust	(396,112)
Contributions made irrevocable trust	(1,500,000)
Contributions made by general fund	<u>(924,872)</u>
Change in net OPEB obligation	(1,145,422)
Net OPEB obligation, beginning of year	<u>321,039</u>
Net OPEB asset, end of year	<u><u>\$ (824,383)</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 (asset) for the past three years is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percent Contributed	Net OPEB Obligation (Asset)
2013	\$ 1,994,512	\$ 2,049,316	103%	\$ 719,637
2014	1,995,511	2,394,109	120%	321,039
2015	1,675,562	2,424,872	145%	(824,383)

**Funded Status and Funding Progress**

The funding status of the OPEB Plan as of July 1, 2015, actuarial valuation, is as follows:

Actuarial Accrued Liability (AAL)	\$ 20,095,621
Actuarial Value of Plan Assets	17,226,726
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 2,868,895</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	85.7%
Covered Payroll	<u>\$ 45,302,000</u>
UAAL as Percentage of Covered Payroll	<u><u>6.3%</u></u>

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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The above noted actuarial accrued liability was based on the July 1, 2015, 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, 2015, 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 7.5 percent to an ultimate rate of five percent. The cost trend rate used for the Dental and Vision Programs was four 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, 2015, is 23 years. At June 30, 2015, the irrevocable trust held assets in the amount of \$17,226,726 in US Bank, the established bank account for the Retiree Health Benefit Program.

### NOTE 11 - LEASE REVENUES

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

Year Ending June 30,	Lease Revenue
2016	\$ 90,750
2017	90,750
2018	90,750
2019	45,375
Total	<u>\$ 317,625</u>

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### NOTE 12 - RISK MANAGEMENT

#### Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for property and liability with coverages of \$250 million, subject to various policy limits and deductibles ranging from \$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, 2015, 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.

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

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Proportionate Share of Deferred Inflows of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 45,153,292	\$ 3,553,691	\$ 11,118,912	\$ 3,913,310
CalPERS	23,899,791	2,695,255	8,212,236	2,120,106
Total	<u>\$ 69,053,083</u>	<u>\$ 6,248,946</u>	<u>\$ 19,331,148</u>	<u>\$ 6,033,416</u>

The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

**Benefits Provided**

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

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

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required State contribution rate	5.95%	5.95%

**Contributions**

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the District's total contributions were \$3,553,691.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 45,153,292
State's proportionate share of net pension liability associated with the District	<u>27,265,507</u>
Total	<u><u>\$ 72,418,799</u></u>

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0773 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$3,913,310. In addition, the District recognized revenue and pension expense of \$2,353,894 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,553,691	\$ -
Difference between projected and actual earnings on pension plan investments	-	11,118,912
Total	<u>\$ 3,553,691</u>	<u>\$ 11,118,912</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 2,779,728
2017	2,779,728
2018	2,779,728
2019	2,779,728
Total	<u>\$ 11,118,912</u>

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary investment practice, a best estimate range was determined assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 70,382,173
Current discount rate (7.60%)	45,153,292
1% increase (8.60%)	24,116,990



**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Schools Pool Actuarial Valuation 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

**Benefits Provided**

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

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the total District contributions were \$2,695,255.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$23,899,791. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. At June 30, 2015, the District's proportion was 0.2105 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$2,120,106. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,695,255	\$ -
Difference between projected and actual earnings on pension plan investments	-	8,212,236
Total	<u>\$ 2,695,255</u>	<u>\$ 8,212,236</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amortization</u>
2016	\$ 2,053,059
2017	2,053,059
2018	2,053,059
2019	2,053,059
Total	<u>\$ 8,212,236</u>

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 41,925,690
Current discount rate (7.50%)	23,899,791
1% increase (8.50%)	8,837,336

### 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, 2015. Total District contributions to the plan amounted to \$71,038.

### 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 year ended June 30, 2015, which amounted to \$1,751,651 (5.679 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 year ended June 30, 2015. 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, 2015

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### **Deferred Compensation**

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

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

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

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

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

During the year ended June 30, 2015, the District made payments of \$869,448 and \$1,500,000 to San Diego School Risk Management and Retiree Health Benefit Program, respectively.

### ***NOTE 15 - COMMITMENTS AND CONTINGENCIES***

#### **Grants**

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

#### **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, 2015.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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***NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION***

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in the current year. As a result, the effect on the current fiscal year is as follows:

<b>Primary Government</b>	
Net Position - Beginning	\$ 111,370,691
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(87,718,772)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 68	<u>5,367,957</u>
Net Position - Beginning, as Restated	<u><u>\$ 29,019,876</u></u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2015**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 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%
July 1, 2015	17,226,726	20,095,621	2,868,895	85.7%	45,302,000	6.3%



**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

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**CalSTRS**

District's proportion of the net pension liability	<u>0.0773%</u>
District's proportionate share of the net pension liability	\$ 45,153,292
State's proportionate share of the net pension liability associated with the District	27,265,507
Total	<u>\$ 72,418,799</u>
District's covered - employee payroll	<u>\$ 32,035,059</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>140.95%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>

**CalPERS**

District's proportion of the net pension liability	<u>0.2105%</u>
District's proportionate share of the net pension liability	<u>\$ 23,899,791</u>
District's covered - employee payroll	<u>\$ 22,210,989</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>107.60%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

*Note* : In the future, as data become available, ten years of information will be presented.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**CalSTRS**

Contractually required contribution	\$ 3,553,691
Contributions in relation to the contractually required contribution	<u>3,553,691</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 33,082,793</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>

**CalPERS**

Contractually required contribution	\$ 2,695,255
Contributions in relation to the contractually required contribution	<u>2,695,255</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 23,051,398</u>
Contributions as a percentage of covered - employee payroll	<u>11.77%</u>

*Note* : In the future, as data become available, ten years of information will be presented.

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*SUPPLEMENTARY INFORMATION*

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# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION JUNE 30, 2015

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

### BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ms. Jeanne Shannon	President	2018
Dr. David Broad	Vice President	2018
Dr. William C. Fischer	Member	2018
Mr. George McNeil	Member	2016
Mr. Frank Merchat	Member	2016
Mr. Rick Cassar	Member	2018
Ms. Jacqueline Simon	Member	2016

### ADMINISTRATION

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

See accompanying note to supplementary information.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF LABOR</b>			
<b>EMPLOYMENT AND TRAINING ADMINISTRATION</b>			
Trade Adjustment Assistance Community College and Career Training Grants Program	17.282		\$ 1,399,854
Pass-Through From Chaffey Community College District			
Trade Adjustment Assistance Community College and Career Training Grants Program # 4	17.282	TC-26434-14-60-A-6	24,423
<b>NATIONAL SCIENCE FOUNDATION</b>			
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	71,848
<b>SMALL BUSINESS ADMINISTRATION</b>			
Pass-Through From Southwestern Community College District			
North San Diego Small Business Development Center Program	59.037	NSD2015A	259,768
<b>U.S. DEPARTMENT OF VETERAN AFFAIRS</b>			
Veterans Reporting Fee	64.000		4,594
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>HIGHER EDUCATION ACT</b>			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		228,750
Federal Work Study (FWS)	84.033		166,692
Federal Work Study (FWS) Administrative Allowance	84.033		26,879
Federal Pell Grant (PELL)	84.063		15,629,113
Federal Pell Grant Administration	84.063		25,100
Federal Direct Student Loans	84.268		1,932,747
Subtotal Student Financial Assistance Cluster			<u>18,009,281</u>
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334A		1,037,427

[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, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>ADULT EDUCATION AND FAMILY LITERACY ACT</b>			
Pass-Through From California Department of Education (CDE) WIA Title II: Adult Education and Family Literacy	84.002A	V002A140005	\$ 214,053
<b>PERKINS CAREER AND TECHNICAL EDUCATION ACT</b>			
Pass-Through From California Community Colleges Chancellor's Office			
Career and Technical Education, Title I-C	84.048	14-C01-032	262,651
CTE Transitions	84.048A	14-112-032	43,269
Pass-Through From Grossmont-Cuyamaca Community College District			
Career and Technical Education (Perkins IV) Title I-B	84.048	X001004	<u>1,500</u>
Total U.S. Department of Education			<u>19,568,181</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Pass-Through From California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	59,139
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	<u>17,189</u>
Total U.S. Department of Health and Human Services			<u>76,328</u>
Total Expenditures of Federal Awards			<u>\$ 21,404,996</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, 2015**

Program	Program Revenues				Total Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
<b>GENERAL FUND</b>					
Basic Skills	\$ 323,956	\$ -	\$ 75,111	\$ 248,845	\$ 248,845
Board Financial Assistance Program	382,938	-	-	382,938	382,938
Cal Grant	881,681	5,974	-	887,655	887,655
CalWORKs	240,912	27,500	-	268,412	268,412
CARE	57,182	-	-	57,182	57,182
Career Technical Education - WIP #4	152,324	-	-	152,324	152,324
Career Technical Education - Enhancement	156,657	-	119,098	37,559	37,559
Career Technical Education - Community Collaborative #6	213,613	-	-	213,613	213,613
Disabled Students Program and Services (DSPS)	998,910	-	-	998,910	998,910
EWD - BEC	80,000	230,927	-	310,927	310,927
Extended Opportunity Program and Services (EOPS)	604,451	-	-	604,451	604,451
Instructional Equipment	752,773	-	-	752,773	752,773
Licensed Vocational Nurse to Registered Nurse Grant	306,287	-	-	306,287	306,287
Lottery	43,200	382,886	-	426,086	426,086
Matriculation - Credit	2,114,992	-	831,265	1,283,727	1,283,727
Matriculation - Noncredit	219,888	-	132,025	87,863	87,863
Part-Time Faculty Reimbursement	179,786	-	-	179,786	179,786
Proposition 39 Clean Energy Jobs Act	301,050	-	48,513	252,537	252,537
Student Equity	437,057	-	258,428	178,629	178,629
Scheduled Maintenance	802,449	-	692,744	109,705	109,705
Staff Diversity	5,193	-	-	5,193	5,193
AB86 Adult Education Consortium Planning Grant	221,696	-	21,464	200,232	200,232
CCC - Student Mental Health	14,465	15,905	-	30,370	30,370
Go Biz Grant	-	51,451	-	51,451	51,451
Total State Categorical Programs	\$ 9,491,460	\$ 714,643	\$ 2,178,648	\$ 8,027,455	\$ 8,027,455

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, 2015**

<b>CATEGORIES</b>	*(Revised)/ Reported Data	Audit Adjustments	Audited Data
<b>A. Summer Intersession (Summer 2014 only)</b>			
1. Noncredit	95.65	-	95.65
2. Credit	582.04	-	582.04
<b>B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)</b>			
1. Noncredit	-	-	-
2. Credit	318.13	-	318.13
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	6,259.93	-	6,259.93
(b) Daily Census Contact Hours	623.83	-	623.83
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	543.55	-	543.55
(b) Credit	149.24	-	149.24
3. Alternative Attendance Procedure Courses			
(a) Weekly Census Contact Hours	1,873.25	-	1,873.25
(b) Daily Census Contact Hours	593.49	-	593.49
(c) Noncredit Independent Study/Distance Education Courses	12.64	-	12.64
<b>D. Total FTES</b>	<b>11,051.75</b>	<b>-</b>	<b>11,051.75</b>
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>	-	-	-
<b>H. Basic Skills Courses and Immigrant Education</b>			
1. Noncredit	495.16	-	495.16
2. Credit	431.99	-	431.99
<b><u>CCFS-320 Addendum</u></b>			
Centers FTES			
1. Noncredit	558.68	-	558.68
2. Credit	1,701.03	-	1,701.03

\*Annual report revised as of October 22, 2015

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, 2015

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b><u>Academic Salaries</u></b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 16,206,111	\$ -	\$ 16,206,111	\$ 16,206,111	\$ -	\$ 16,206,111
Other	1300	13,446,302	-	13,446,302	13,472,310	-	13,472,310
<b>Total Instructional Salaries</b>		29,652,413	-	29,652,413	29,678,421	-	29,678,421
<b>Noninstructional Salaries</b>							
Contract or Regular	1200	-	-	-	7,790,348	-	7,790,348
Other	1400	-	-	-	766,210	-	766,210
<b>Total Noninstructional Salaries</b>		-	-	-	8,556,558	-	8,556,558
<b>Total Academic Salaries</b>		29,652,413	-	29,652,413	38,234,979	-	38,234,979
<b><u>Classified Salaries</u></b>							
<b>Noninstructional Salaries</b>							
Regular Status	2100	-	-	-	14,089,771	-	14,089,771
Other	2300	-	-	-	1,267,919	-	1,267,919
<b>Total Noninstructional Salaries</b>		-	-	-	15,357,690	-	15,357,690
<b>Instructional Aides</b>							
Regular Status	2200	1,989,361	-	1,989,361	2,133,241	-	2,133,241
Other	2400	668,708	-	668,708	683,283	-	683,283
<b>Total Instructional Aides</b>		2,658,069	-	2,658,069	2,816,524	-	2,816,524
<b>Total Classified Salaries</b>		2,658,069	-	2,658,069	18,174,214	-	18,174,214
Employee Benefits	3000	7,643,457	-	7,643,457	17,612,827	-	17,612,827
Supplies and Material	4000	-	-	-	1,033,520	-	1,033,520
Other Operating Expenses	5000	-	-	-	6,099,750	-	6,099,750
Equipment Replacement	6420	-	-	-	-	-	-
<b>Total Expenditures</b>							
<b>Prior to Exclusions</b>		39,953,939	-	39,953,939	81,155,290	-	81,155,290

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, 2015**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b><u>Exclusions</u></b>							
<b>Activities to Exclude</b>							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 80,980	\$ -	\$ 80,980	\$ 80,980	\$ -	\$ 80,980
Student Health Services Above Amount Collected	6441	-	-	-	21,669	-	21,669
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	288,985	-	288,985
<b>Objects to Exclude</b>							
Rents and Leases	5060	-	-	-	5,875	-	5,875
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	1,365,014	-	1,365,014
Classified Salaries	2000	-	-	-	38,710	-	38,710
Employee Benefits	3000	-	-	-	42,492	-	42,492
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
<b>Total Supplies and Materials</b>		-	-	-	-	-	-

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2015

	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	\$ -	\$ -	\$ -	\$ 34,632	\$ -	\$ 34,632
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
<b>Total Equipment</b>		-	-	-	-	-	-
<b>Total Capital Outlay</b>		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		80,980	-	80,980	1,878,357	-	1,878,357
<b>Total for ECS 84362, 50 Percent Law</b>		\$39,872,959	\$ -	\$ 39,872,959	\$79,276,933	\$ -	\$79,276,933
<b>Percent of CEE (Instructional Salary Cost/Total CEE)</b>		50.30%		50.30%	100.00%		100.00%
<b>50% of Current Expense of Education</b>					\$39,638,467		\$39,638,467

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, 2015**

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

	Student Body Center Fee Trust
June 30, 2015, Annual Financial and Budget Report (CCFS-311)	
Reported Fund Balance	\$ 1,181,331
Adjustments to Increase Fund Balance	
Capital Assets	4,923,260
Audited Fund Balance	<u>\$ 6,104,591</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, 2015**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$1,101,913
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	0100-5900	\$ -	\$ -	\$ 124,734	\$ 124,734
Academic Information Systems and Technology	6150	-	-	243,264	243,264
Building Maintenance and Repairs	6510	-	-	316,957	316,957
Grounds Maintenance and Repairs	6550	-	-	100,189	100,189
Management Information Systems	6780	-	-	316,769	316,769
<b>Total Expenditures for EPA</b>		\$ -	\$ -	\$ 1,101,913	\$1,101,913
<b>Revenues Less Expenditures</b>					\$ -

See accompanying note to supplementary information.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

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

**Total Fund Balance:**

General Funds	\$ 20,786,820	
Capital Project Funds	15,956,108	
Debt Service Funds	1,482,746	
Enterprise Funds	767,113	
Internal Service Funds	227,341	
<b>Total Fund Balance - All District Funds</b>	<b>\$ 39,220,128</b>	

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

The cost of capital assets is	171,742,783	
Accumulated depreciation is	(79,311,144)	
Less fixed assets already recorded in the enterprise funds	(8,588)	92,423,051

Recognizing the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and the OPEB contributions in the governmental funds. 824,383

Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis. 6,248,946

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred. (129,892)

Difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense. (19,331,148)

Long-term obligations at year end consist of:

Bonds payable	14,413,516	
Compensated absences (less amount set up in Governmental Funds)	2,060,069	
Load banking (less amount set up in Governmental Funds)	910,904	
Capital leases payable	370,978	
Aggregate net pension obligation	69,053,083	(86,808,550)
<b>Total Net Position</b>	<b>\$ 32,446,918</b>	

See accompanying note to supplementary information.

# MIRACOSTA COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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### ***NOTE 1 - PURPOSE OF SCHEDULES***

#### **District Organization**

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

#### **Schedule of Expenditures of Federal Awards**

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

#### **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.

#### **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.

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***INDEPENDENT AUDITOR'S REPORTS***

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**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 and the aggregate remaining fund information of MiraCosta Community College District (the District) as of and for the year ended June 30, 2015, 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 10, 2015.

**Emphasis of Matter - Change in Accounting Principles**

As discussed in Notes 2 and 16 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

**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.

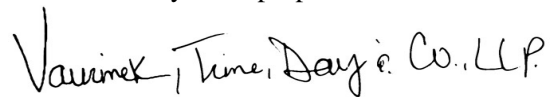
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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



Rancho Cucamonga, California  
December 10, 2015



**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, 2015. 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, 2015.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with 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.

Vannex, Time, Day & Co., LLP

Rancho Cucamonga, California  
December 10, 2015



## 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 August 2014 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2015.

### 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 August 2014.

### 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, 2015.

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 440 Intersession Extension Programs
- 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 Intersession Extension Programs; 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.

*Vannex, Time, Day & Co., LLP*  
Rancho Cucamonga, California  
December 10, 2015

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*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

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**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**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	Student Financial Assistance Cluster

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, 2015**

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None reported.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

## MIRACOSTA COMMUNITY COLLEGE DISTRICT

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

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

#### *Financial Statement Findings*

None reported.

#### *Federal Awards Findings*

None reported.

#### *State Awards Findings*

None reported.