

**MIRACOSTA
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

MIRACOSTA COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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, 2018, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2017-2018 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 17 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 17 and other required supplementary schedules on pages 65 through 69 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 5, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vannest Tume Day & Co. LLP

Rancho Cucamonga, California
December 5, 2018



1 Barnard Drive, Oceanside, CA 92056

► P 760.757.2121 ► F 760.795.6609 ► 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, 2018. 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.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

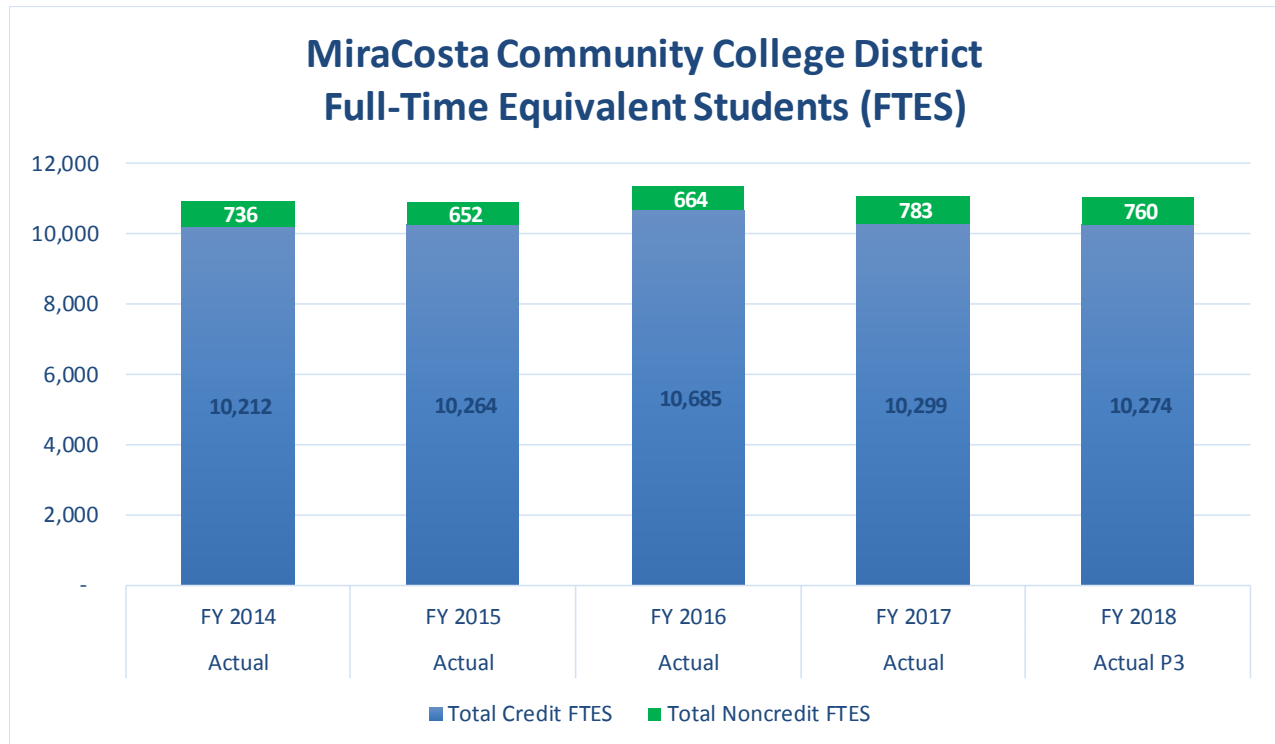
JUNE 30, 2018

Full-Time Equivalent Student Growth

During 2017-2018, total full-time equivalent students (FTES) was relative flat compare to prior year from 11,082 to 11,034 for credit and noncredit students. The trend over the last three years has been over 11,000 FTES.

Full-Time Equivalent Students FTES	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual P3 FY 2018
Total Credit FTES	10,212	10,264	10,685	10,299	10,274
Total Noncredit FTES	736	652	664	783	760
Total FTES	10,948	10,915	11,348	11,082	11,034
Total FTES Annual Change from Prior Year	47	(33)	433	(266)	(48)
Total Credit FTES % Change year to year	0.5%	0.5%	4.1%	-3.6%	-0.2%
Total Noncredit FTES % Change year to year	-0.7%	-11.4%	1.8%	18.0%	-3.0%
Total FTES % Change year to year	0.4%	-0.3%	4.0%	-2.3%	-0.4%

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MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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, 2018

A Statement of Net Position as of June 30, 2018 and 2017, is summarized below:

	2018	(as restated) 2017	Change	Percentage Change
ASSETS				
Current Assets				
Cash and investments	\$ 154,779,847	\$ 48,186,153	\$ 106,593,694	221.21%
Accounts receivable	6,631,488	5,782,002	849,486	14.69%
Due from fiduciary funds	35,722	77,534	(41,812)	-53.93%
Prepaid expenses	484,775	352,758	132,017	37.42%
Total Current Assets	<u>161,931,832</u>	<u>54,398,447</u>	<u>107,533,385</u>	<u>197.68%</u>
Capital assets (net)	<u>106,880,836</u>	<u>99,682,845</u>	<u>7,197,991</u>	<u>7.22%</u>
Total Assets	<u>268,812,668</u>	<u>154,081,292</u>	<u>114,731,376</u>	<u>74.46%</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>38,028,609</u>	<u>23,270,873</u>	<u>14,757,736</u>	<u>63.42%</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	8,036,490	3,098,630	4,937,860	159.36%
Due to fiduciary funds	141,074	191,603	(50,529)	-26.37%
Unearned revenue	10,281,243	10,110,070	171,173	1.69%
Current portion of long-term obligations other than pensions	<u>14,783,019</u>	<u>1,273,180</u>	<u>13,509,839</u>	<u>1061.11%</u>
Total Current Liabilities	<u>33,241,826</u>	<u>14,673,483</u>	<u>18,568,343</u>	<u>126.54%</u>
Noncurrent Liabilities				
Noncurrent long-term obligations other than pensions	100,368,356	17,514,237	82,854,119	473.07%
Aggregate net pension obligation	<u>117,786,448</u>	<u>101,114,975</u>	<u>16,671,473</u>	<u>16.49%</u>
Total Noncurrent Liabilities	<u>218,154,804</u>	<u>118,629,212</u>	<u>99,525,592</u>	<u>83.90%</u>
Total Liabilities	<u>251,396,630</u>	<u>133,302,695</u>	<u>118,093,935</u>	<u>88.59%</u>
DEFERRED INFLOWS OF RESOURCES	<u>7,719,389</u>	<u>7,158,464</u>	<u>560,925</u>	<u>7.84%</u>
NET POSITION				
Net investment in capital assets	81,811,916	88,138,831	(6,326,915)	-7.18%
Restricted	30,283,709	12,256,151	18,027,558	147.09%
Unrestricted	<u>(64,370,367)</u>	<u>(63,503,976)</u>	<u>(866,391)</u>	<u>1.36%</u>
Total Net Position	<u>\$ 47,725,258</u>	<u>\$ 36,891,006</u>	<u>\$ 10,834,252</u>	<u>29.37%</u>

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

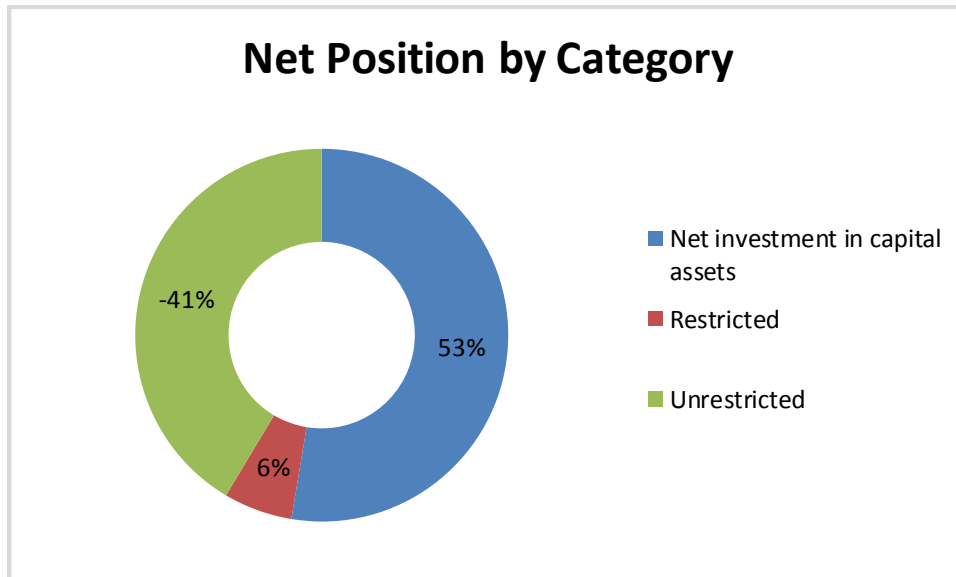
JUNE 30, 2018

- Cash and investments increased \$106.6 million over 2017. The fiscal year-end cash and investment balances are the results of the revenue inflows and expense outflows of cash as noted in the Statement of Cash Flows on page 20. Net cash flow from operating activities were \$(4.4) million due to increases in expenses from prior year. Net cash flow from noncapital financing activities were higher due to local property taxes and other non-operating activities. Net cash flow from capital financing activities were \$111.9 million primarily from the sale of the general obligation bond series A, payment of the 2015 Lease Purchase bond, and property tax revenues of \$14.7 million for the general obligation bond.
- The accounts receivable balance includes receivables for categorical programs and/or grants, lottery proceeds, and 4th quarter interest. Accounts receivable increased \$849.5 thousand from prior year due to the timing of actual cash received after the year-end cut off for June revenues.
- 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 \$4.9 million from the prior year is from both volume (e.g. higher construction activities) and timing of invoices from 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 \$171 thousand from the prior year.
- The current portion of long-term obligations reflects the amounts due within one year on the payments for bonds, compensated absences, and capital lease payment. This current portion increased by \$13.5 million due to the general obligation bond.
- The noncurrent liabilities increased by \$99.5 million. The non-pension long-term obligation increased by \$82.9 million due to the sale of the general obligation bond in September 2017. The aggregate net pension California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) obligation was \$117.8 million, an increase of \$16.7 million (see Note 14) from the prior year. .
- 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 \$10.8 million from prior year.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018



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, 2018

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2018 and 2017, is summarized below:

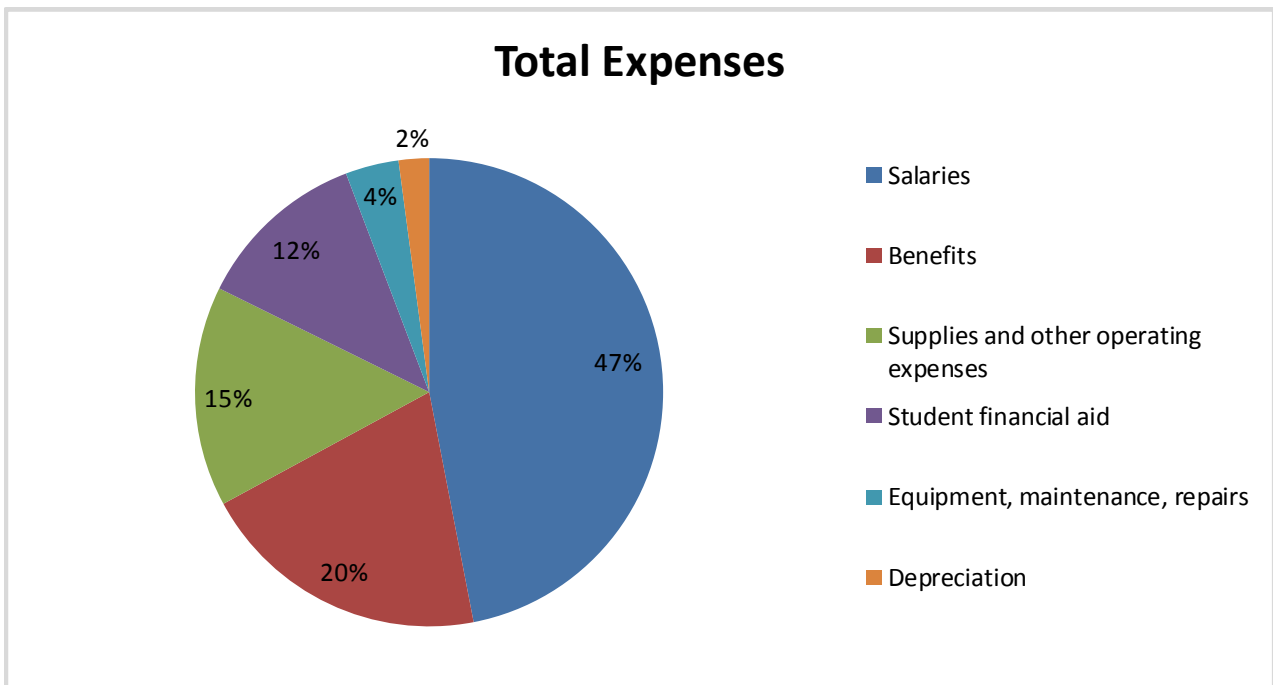
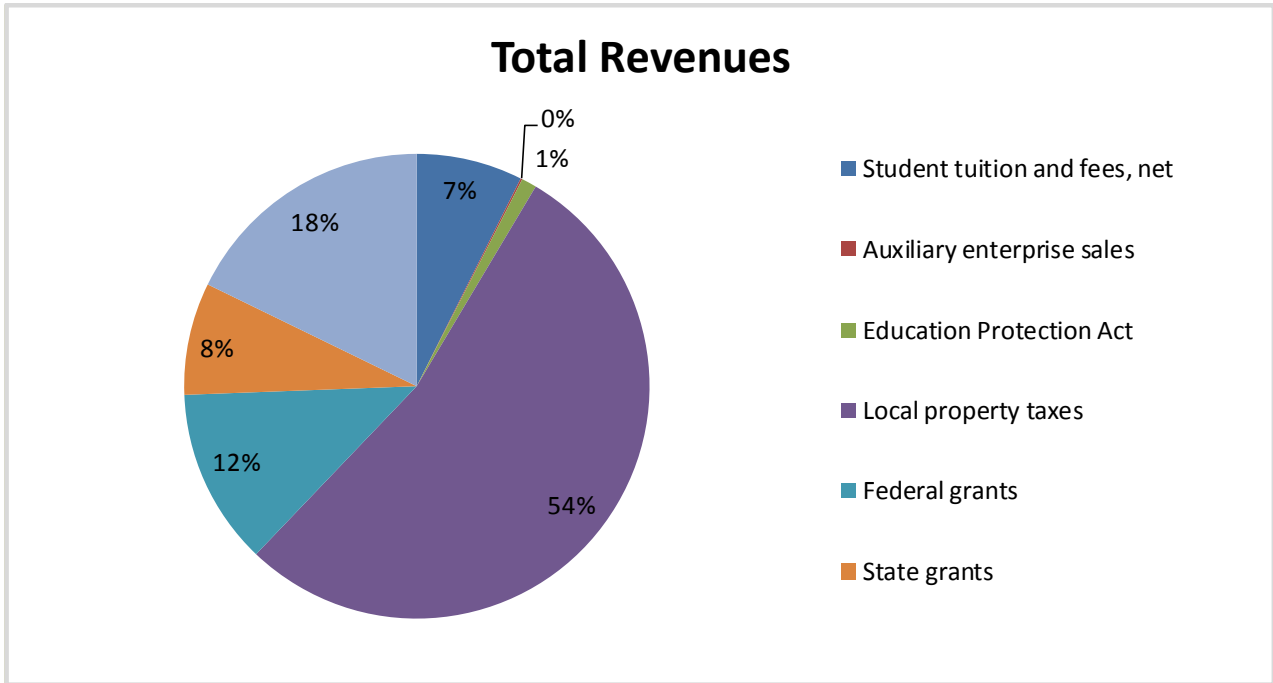
	2018	2017	Change	Percentage Change
Operating Revenues				
Tuition and fees	\$ 13,670,112	\$ 13,051,685	\$ 618,427	4.74%
Grants and contracts, noncapital	16,944,083	13,304,982	3,639,101	27.35%
Auxiliary enterprise sales and charges	217,619	250,235	(32,616)	-13.03%
Total Operating Revenues	<u>30,831,814</u>	<u>26,606,902</u>	<u>4,224,912</u>	<u>15.88%</u>
Total Operating Expenses	<u>172,235,081</u>	<u>149,103,186</u>	<u>23,131,895</u>	<u>15.51%</u>
Operating Loss	<u>(141,403,267)</u>	<u>(122,496,284)</u>	<u>(18,906,983)</u>	<u>15.43%</u>
Nonoperating Revenues (Expenses)				
Federal and State Financial aid grants	20,505,480	19,764,591	740,889	3.75%
Local property taxes	114,119,152	93,929,698	20,189,454	21.49%
State and other revenues	8,965,867	10,229,375	(1,263,508)	-12.35%
Investment income, net	(1,061,807)	89,573	(1,151,380)	-1285.41%
Transfers to fiduciary funds	(125,000)	(687,943)	562,943	-81.83%
Other nonoperating revenues	9,111,086	1,399,470	7,711,616	551.04%
Total Nonoperating Revenue (Expenses)	<u>151,514,778</u>	<u>124,724,764</u>	<u>26,790,014</u>	<u>21.48%</u>
Other Revenues, Gains and (Losses)				
State revenues, capital	741,448	1,544,298	(802,850)	-51.99%
Local revenues, capital	-	438,780	(438,780)	-100.00%
Gain (loss) on disposal of capital assets	(18,707)	7,496	(26,203)	349.56%
Total Other Revenues, Gains and (Losses)	<u>722,741</u>	<u>1,990,574</u>	<u>(1,267,833)</u>	<u>-63.69%</u>
Change in Net Position	<u>\$ 10,834,252</u>	<u>\$ 4,219,054</u>	<u>\$ 6,615,198</u>	<u>156.79%</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 \$618 thousand.
- Grants and contracts revenues increased \$3.7 million, from higher Federal and State categorical programs.
- Total operating expenses includes employee salaries and benefits, supplies, operating expenses, and student financial aid. Operating expenses increased by \$23.1 million, see comment on page 13.
- Local property taxes increased \$20.2 million, from higher assessed property values from prior year and tax revenue from the general obligation bond (\$14.7 million) to pay for the debt service of the bond.
- Other non-operating revenues increased by \$7.7 million primarily from the premium portion (\$8.3 million) of the sale of the general obligation bond series A.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018



MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Expenses are reported by their operating categories as follows:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Operating Expenses			
Salaries	\$ 80,881,981	\$ 77,169,839	\$ 3,712,142
Employee benefits	34,672,675	28,170,228	6,502,447
Supplies, materials, and other operating expenses and services	32,563,322	20,483,584	12,079,738
Student financial aid	20,505,480	19,764,591	740,889
Depreciation	3,611,623	3,514,944	96,679
Total Operating Expenses	<u>\$ 172,235,081</u>	<u>\$ 149,103,186</u>	<u>\$ 23,131,895</u>

Salaries and benefits increased \$10.2 million. This is primarily due to the following: step and column increases, hiring of full-time positions, CalSTRS/CalPERS rate increases, and contribution to the OPEB Trust fund. Supplies, materials, and other operating expenses and services increased \$12.1 million primarily from the payment of the 2015 Lease Purchase Bond debt obligation to an escrow account, funded from the general obligation bond proceeds. Student financial aid increased by \$741 thousand from both Federal and State financial aid programs that are passed through to students eligible for financial aid awards.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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:

	Instructional Salaries and Benefits	Noninstructional Salaries and Benefits	Supplies, Material, and Other Expenses and Services
Instructional Activities	\$ 54,885,249	\$ 3,954,387	\$ 2,024,571
Instructional Administration and Instructional Support Services	-	5,819,664	439,339
Admissions and Records	277,690	5,670,986	140,460
Student Counseling and Guidance	-	2,106,803	46,377
Other Student Services	-	7,203,063	225,945
Operation and Maintenance of Plant	-	9,626,229	2,380,636
Planning, Policymaking, and Coordination	-	4,497,570	5,041,309
General Institutional Support Services	-	1,831,239	748,732
Community Services and Economic Development	-	10,963,694	6,368,480
Ancillary Services	-	3,384,655	5,219,177
Auxiliary Operations	-	3,221,820	1,655,630
Physical Property and Related Acquisitions	-	571,740	82,399
Student Aid	-	1,539,867	1,852,662
Depreciation Expense	-	-	-
Total	\$ 55,162,939	\$ 60,391,717	\$ 26,225,717

	Equipment, Maintenance, and Repairs	Student Financial Aid	Depreciation	Total
Instructional Activities	\$ 398,387	\$ -	\$ -	\$ 61,262,594
Instructional Administration and Instructional Support Services	36,073	-	-	6,295,076
Admissions and Records	606,683	-	-	6,695,819
Student Counseling and Guidance	2,783	-	-	2,155,963
Other Student Services	771	-	-	7,429,779
Operation and Maintenance of Plant	20,366	-	-	12,027,231
Planning, Policymaking, and Coordination	139,114	-	-	9,677,993
General Institutional Support Services	50,697	-	-	2,630,668
Community Services and Economic Development	549,573	-	-	17,881,747
Ancillary Services	36,010	-	-	8,639,842
Auxiliary Operations	12,893	-	-	4,890,343
Physical Property and Related Acquisitions	20,709	-	-	674,848
Student Aid	4,463,546	-	-	7,856,075
Student Aid	-	20,505,480	-	20,505,480
Depreciation Expense	-	-	3,611,623	3,611,623
Total	\$ 6,337,605	\$ 20,505,480	\$ 3,611,623	\$ 172,235,081

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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, 2018 and 2017, is summarized below:

	2018	2017	Change
Cash Provided by (Used in)			
Operating activities	\$ (135,052,041)	\$ (130,586,315)	\$ (4,465,726)
Noncapital financing activities	137,910,853	140,101,987	(2,191,134)
Capital financing activities	102,421,436	(9,468,656)	111,890,092
Investing activities	1,313,446	404,210	909,236
Net Change in Cash	106,593,694	451,226	106,142,468
Cash, Beginning of Year	48,186,153	47,734,927	451,226
Cash, End of Year	<u>\$ 154,779,847</u>	<u>\$ 48,186,153</u>	<u>\$ 106,593,694</u>

A detailed Statement of Cash Flows for the year ended June 30, 2018, is included in the Basic Financial Statements on pages 20 and 21 of this report.

- Cash provided in operating activities are from tuition and fees, and Federal and State grants and contracts; and the uses of cash are for payments to scholarship and grants, payments to vendors, and payments to or on behalf of employees. Net change in cash from operating activities increased by \$4.5 million.
- From noncapital financing activities, property tax revenue account for 72 percent while grants and contracts account for 15 percent.
- Capital financing activities include proceeds from the sale of general obligation bond and payment of debt services expenses and the purchase of capital assets (building improvements, construction in progress, equipment, etc.).
- Cash from investing activities is mainly from State revenues for capital projects.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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, 2018, the District had \$106.9 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 \$10.3 million during 2017-2018, and depreciation expense increased by \$3.1 million.
- Capital additions and deductions of construction in progress comprise costs associated with replacement and renovation of existing facilities.

Note 8 in the financial statements provides additional information on capital assets. A summary of capital assets, net of depreciation, is presented below:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Land and construction in progress	\$ 14,712,430	\$ 8,370,618	\$ 6,341,812
Buildings and improvements	87,774,741	87,212,464	562,277
Furniture and equipment	<u>4,393,665</u>	<u>4,099,763</u>	<u>293,902</u>
Net Capital Assets	<u>\$ 106,880,836</u>	<u>\$ 99,682,845</u>	<u>\$ 7,197,991</u>

Debt

- At June 30, 2018, the District had \$108.6 million in debt in bonds payable from the sale of the general obligation bond series A. The bond debt obligations are paid from the collection of local property taxes annually, with a final maturity date of August 1, 2042, and is managed by the County treasury office.
- Compensated absences and load banking increased \$193 thousand from the prior year.
- Aggregate net pension obligation (CalSTRS and CalPERS) was \$117.8 million, an increase of \$16.7 million. The District's long-term share of contributions to the pension plans relative to the projected contributions from all participating college districts and the State actuarial determined are 0.0733 percent for CalSTRS and 0.2096 percent for CalPERS.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Note 11 in the financial statements provides additional information on long-term obligations. A summary of long-term obligation is presented below:

		(as restated)	
	2018	2017	Change
Bonds payable	\$ 108,592,671	\$ 12,296,508	\$ 96,296,163
Compensated absences and load banking	3,439,966	3,247,245	192,721
Net other postemployment benefits liability	3,118,738	3,243,664	(124,926)
Aggregate net pension obligation	117,786,448	101,114,975	16,671,473
Total Long-Term Obligations	<u>\$ 232,937,823</u>	<u>\$ 119,902,392</u>	<u>\$ 113,035,431</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 Legislative Analyst's Office (LAO) have predicted a three year property assessed value growth at six percent for fiscal year 2018-2019, 5.5 percent for fiscal year 2019-2020, and 5.00 percent for fiscal year 2020-2021 for the City of San Diego in the November 2018, *California's Fiscal Outlook*. The City of San Diego's Financial Outlook Report for 2020-2024 issued in November 2018, have similar growth rates of 5.50 percent for fiscal year 2018-2019, 5.25 percent for fiscal year 2019-2020, and 5.00 percent for fiscal year 2020-2021. The property assessed values decline of 1.00 percent by fiscal year 2020-2021 does have direct impact to the District's revenue. 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 MiraCosta College is a community supported district, primarily funded by local property taxes, whereas most of the other community college districts are funded through the State's apportionment funding formula. The LAO's forecast and the City of San Diego's outlook supports the District's multi-year financial plans and projections that was completed in September 2018.

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 2018-2019. 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.

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, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,196,245
Investments	153,583,602
Accounts receivable	4,324,079
Student accounts receivable	2,307,409
Due from fiduciary funds	35,722
Prepaid expenses	484,775
Total Current Assets	<u>161,931,832</u>

Noncurrent Assets

Nondepreciable capital assets	14,712,430
Depreciable capital assets, net of depreciation	92,168,406
Total Noncurrent Assets	<u>106,880,836</u>
TOTAL ASSETS	<u>268,812,668</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions	35,007,663
Deferred outflows of resources related to other postemployment benefits (OPEB)	3,020,946
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>38,028,609</u>

LIABILITIES

Current Liabilities

Accounts payable	6,406,886
Accrued interest payable	1,629,604
Due to fiduciary funds	141,074
Unearned revenue	10,281,243
Current portion of long-term obligations other than pensions	14,783,019
Total Current Liabilities	<u>33,241,826</u>

Noncurrent Liabilities

Other long-term liabilities - noncurrent portion	100,368,356
Aggregate net pension obligation	117,786,448
Total Noncurrent Liabilities	<u>218,154,804</u>
TOTAL LIABILITIES	<u>251,396,630</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	7,579,642
Deferred inflows of resources related to other postemployment benefits (OPEB)	139,747
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,719,389</u>

NET POSITION

Net investment in capital assets	81,811,916
Restricted for:	
Debt service	20,957,135
Capital projects	6,921,778
Educational programs	2,404,796
Unrestricted	(64,370,367)
TOTAL NET POSITION	<u>\$ 47,725,258</u>

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, 2018

OPERATING REVENUES	
Student Tuition and Fees	\$ 20,851,708
Less: Scholarship discounts and allowances	<u>(7,181,596)</u>
Net tuition and fees	<u>13,670,112</u>
Grants and Contracts, Noncapital	
Federal	4,420,281
State	12,308,802
Local	<u>215,000</u>
Total grants and contracts, noncapital	<u>16,944,083</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	200,000
Cafeteria	<u>17,619</u>
Total auxiliary enterprise sales and charges	<u>217,619</u>
TOTAL OPERATING REVENUES	<u>30,831,814</u>
OPERATING EXPENSES	
Salaries	80,881,981
Employee benefits	34,672,675
Supplies, materials, and other operating expenses and services	26,225,717
Student financial aid	20,505,480
Equipment, maintenance, and repairs	6,337,605
Depreciation	<u>3,611,623</u>
TOTAL OPERATING EXPENSES	<u>172,235,081</u>
OPERATING LOSS	<u>(141,403,267)</u>
NONOPERATING REVENUES (EXPENSES)	
Education Protection Act and other general apportionment	1,944,882
Local property taxes, levied for general purposes	99,460,855
Taxes levied for other specific purposes	14,658,297
Federal financial aid grants, noncapital	18,330,304
State financial aid grants, noncapital	2,175,176
State taxes and other revenues	7,020,985
Investment income	1,580,969
Interest expense on capital related debt	(2,770,098)
Investment income on capital asset-related debt	127,322
Transfer to fiduciary funds	(125,000)
Other nonoperating revenue	<u>9,111,086</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>151,514,778</u>
INCOME BEFORE OTHER REVENUES	<u>10,111,511</u>
OTHER REVENUES (EXPENSES)	
State revenues, capital	741,448
Loss on disposal of capital assets	<u>(18,707)</u>
TOTAL OTHER REVENUES (EXPENSES)	<u>722,741</u>
CHANGE IN NET POSITION	10,834,252
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>36,891,006</u>
NET POSITION, END OF YEAR	<u>\$ 47,725,258</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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 12,834,564
Federal and State grants and contracts	17,434,102
Payments to vendors for supplies and services	(32,782,568)
Payments to or on behalf of employees	(112,250,278)
Payments to students for scholarships and grants	(20,505,480)
Auxiliary enterprise sales and charges	217,619
Net Cash Flows From Operating Activities	<u>(135,052,041)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal and State financial aid grants	20,384,537
Property taxes - nondebt related	99,460,855
State taxes and other apportionments	9,121,489
Other nonoperating	8,943,972
Net Cash Flows From Noncapital Financing Activities	<u>137,910,853</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(8,165,766)
Proceeds from capital debt	108,296,207
State revenue, capital projects	741,448
Property taxes - related to capital debt	14,658,297
Principal paid on capital debt	(12,000,044)
Interest paid on capital debt	(1,236,028)
Interest received on capital asset-related debt	127,322
Net Cash Flows From Capital Financing Activities	<u>102,421,436</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from investments	1,313,446
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NET CHANGE IN CASH AND CASH EQUIVALENTS

106,593,694

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

48,186,153

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 154,779,847

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, 2018

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

Operating Loss	<u>\$ (141,403,267)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	3,611,623
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables	(766,922)
Prepaid expenses	(132,017)
Accounts payable and accrued liabilities	674,692
Unearned revenue	421,393
Deferred outflows of resources related to OPEB	(3,020,946)
Deferred outflows of resources related to pensions	(11,736,790)
Compensated absences and load banking	192,721
Net other postemployment benefits (OPEB) liability	(124,926)
Aggregate net pension obligation	16,671,473
Deferred inflows of resources related to OPEB	139,747
Deferred inflows of resources related to pensions	421,178
Total Adjustments	<u>6,351,226</u>
Net Cash Flows From Operating Activities	<u>\$ (135,052,041)</u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 1,196,245
Cash in county treasury	153,261,743
U.S. Federated Cash Reserves	321,859
Total Cash and Cash Equivalents	<u>\$ 154,779,847</u>

NONCASH TRANSACTIONS

On behalf payments for benefits	<u>\$ 3,259,653</u>
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The accompanying notes are an integral part of these financial statements.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Retiree OPEB Trust	Other Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 62,441	\$ 381,373
Investments	25,267,059	255,536	-
Accounts receivable	-	733	-
Due from primary government	-	140,276	798
Fixed assets, net of depreciation	-	5,472,942	-
Total Assets	-	5,931,928	\$ 382,171
LIABILITIES			
Accounts payable	-	171	\$ 9,085
Due to primary government	-	35,722	-
Unearned revenue	-	58,429	-
Due to student groups	-	-	373,086
Total Liabilities	-	94,322	\$ 382,171
NET POSITION			
Restricted for postemployment benefits other than pensions	25,267,059	-	
Unrestricted	-	5,837,606	
Total Net Position	\$ 25,267,059	\$ 5,837,606	

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	Retire OPEB Trust	Other Trusts
ADDITIONS		
District contributions	\$ 1,900,000	\$ -
Interest and investment income	483,021	-
Net realized and unrealized gain	1,046,744	-
Local revenues	-	156,440
Total Additions	<u>3,429,765</u>	<u>156,440</u>
DEDUCTIONS		
Classified salaries	-	98,841
Employee benefits	-	35,227
Books and supplies	-	57,316
Administrative expenses	500	-
Services and operating expenditures	-	200,117
Capital outlay	-	10,803
Total Deductions	<u>500</u>	<u>402,304</u>
OTHER FINANCING SOURCES (USES)		
Transfer from primary government	-	125,000
Other uses	-	(14,333)
Total Other Financing Sources (Uses)	<u>-</u>	<u>110,667</u>
Change in Net Position	<u>3,429,265</u>	<u>(135,197)</u>
Net Position - Beginning of Year	<u>21,837,794</u>	<u>5,972,803</u>
Net Position - End of Year	<u>\$ 25,267,059</u>	<u>\$ 5,837,606</u>

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 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. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

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, 2018

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. 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, noncapital grants and contracts, 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, Federal and State financial aid 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 financial aid grants 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, 2018

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 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, No. 39, and No. 61. 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.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2018, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

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, therefore the District does not record an allowance for uncollectible accounts.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 government-wide financial statements.

Debt Premiums

General obligation and lease revenue bond premiums 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 pension related items and for OPEB related items.

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 pension related items and for OPEB related items.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and additions to/deductions from the District Plan have been determined on the same basis as they are reported by the District Plan. For this purpose, the District Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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 government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within 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. The liability for this benefit is reported on the government-wide financial statements.

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.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Unearned Revenue

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

Noncurrent Liabilities

Noncurrent liabilities include bonds payable, compensated absences, load banking, aggregate net OPEB liability, 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 government-wide financial statements report \$30,283,709 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 student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

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

Classification of Expenses - Nearly all of 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.

The voters of the District passed General Obligation Bonds in November 2016 for the acquisition, construction, and modernization of facilities. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected by the County of San Diego and remitted to the District.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances 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.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

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Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG) Grants, and Work-Study and 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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 are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 District has implemented the provisions of this Statement as of June 30, 2018.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

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In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

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This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2018

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, 2018

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, 2018, consist of the following:

	Primary Government	Fiduciary Funds
Cash on hand and in banks	\$ 1,096,245	\$ 443,814
Cash in revolving	100,000	-
Investments	153,583,602	25,522,595
Total Deposits and Investments	<u>\$ 154,779,847</u>	<u>\$ 25,966,409</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 and the Master Trust.

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	Book Value	Fair Value	Weighted Average Days to Maturity
U.S. Federated Cash Reserves	\$ 321,859	\$ 321,859	45
San Diego County Investment Pool	153,517,279	152,524,575	345
Master Trust	25,267,059	25,267,059	N/A
Total	<u>\$ 179,106,197</u>	<u>\$ 178,113,493</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 Master Trust is 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 and Fitch, respectively.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, the bank balance totaled \$1,563,384 of which \$1,063,384 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 \$1,563,384 consisted of \$1,104,629 in District funds and \$458,755 in fiduciary funds.

NOTE 4 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the San Diego County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The District's fair value measurements are as follows at June 30, 2018:

Investment Type	Fair Value	Level 1 Inputs	Level 3 Inputs	Uncategorized
U.S. Federated Cash Reserves	\$ 321,859	\$ 321,859	\$ -	\$ -
San Diego County Investment Pool	152,524,575	-	-	152,524,575
Master Trust	25,267,059	-	25,267,059	-
Total	\$ 178,113,493	\$ 321,859	\$ 25,267,059	\$ 152,524,575

All assets have been valued using a market approach, with quoted market prices.

The following table summarizes the District's Level 3 reconciliation as of June 30, 2018:

	Level 3 Inputs
Investments at Fair Value	
Balance at July 1, 2017	\$ 21,837,794
Employer contributions	1,900,000
Interest and investment income	483,021
Net realized and unrealized gain	1,046,744
Administrative fees	(500)
Balance at June 30, 2018	\$ 25,267,059

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	\$ 1,495,280	\$ -
State Government		
Categorical aid	629,554	-
Lottery	484,437	-
Local Sources		
Interest	402,048	733
Third party billing	153,592	-
Student community service	182,473	-
Property taxes	395,223	-
Other local sources	581,472	-
Total	\$ 4,324,079	\$ 733
Student receivables	\$ 2,307,409	\$ -

NOTE 6 - 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. Interfund 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, 2018, the amount owed to the primary government and the fiduciary funds were \$35,722 and \$141,074, 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 2018 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to \$125,000.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 7 - PREPAID EXPENSES

Student Financial Aid Disbursement	\$ 319,340
Other	<u>165,435</u>
Total	<u><u>\$ 484,775</u></u>

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

Primary Government

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land	\$ 5,366,281	\$ -	\$ -	\$ 5,366,281
Construction in progress	<u>3,004,337</u>	<u>9,672,926</u>	<u>3,331,114</u>	<u>9,346,149</u>
Total Capital Assets Not Being Depreciated	<u>8,370,618</u>	<u>9,672,926</u>	<u>3,331,114</u>	<u>14,712,430</u>
Capital Assets Being Depreciated				
Infrastructure	7,439,574	-	-	7,439,574
Buildings and improvements	149,337,318	3,106,254	-	152,443,572
Furniture and equipment	<u>19,914,838</u>	<u>1,396,269</u>	<u>559,142</u>	<u>20,751,965</u>
Total Capital Assets Being Depreciated	<u>176,691,730</u>	<u>4,502,523</u>	<u>559,142</u>	<u>180,635,111</u>
Total Capital Assets	<u>185,062,348</u>	<u>14,175,449</u>	<u>3,890,256</u>	<u>195,347,541</u>
Less Accumulated Depreciation				
Infrastructure	5,131,940	174,803	-	5,306,743
Buildings and improvements	64,432,488	2,369,174	-	66,801,662
Furniture and equipment	<u>15,815,075</u>	<u>1,067,646</u>	<u>524,421</u>	<u>16,358,300</u>
Total Accumulated Depreciation	<u>85,379,503</u>	<u>3,611,623</u>	<u>524,421</u>	<u>88,466,705</u>
Net Capital Assets	<u>\$99,682,845</u>	<u>\$10,563,826</u>	<u>\$ 3,365,835</u>	<u>\$ 106,880,836</u>

Depreciation expense for the year was \$3,611,623.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Fiduciary Funds

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital Assets Being Depreciated				
Buildings and improvements	\$ 6,711,216	\$ -	\$ -	\$ 6,711,216
Furniture and equipment	82,974	-	-	82,974
Total Capital Assets Being Depreciated	<u>6,794,190</u>	<u>-</u>	<u>-</u>	<u>6,794,190</u>
Less Accumulated Depreciation				
Buildings and improvements	1,091,206	147,388	-	1,238,594
Furniture and equipment	80,814	1,840	-	82,654
Total Accumulated Depreciation	<u>1,172,020</u>	<u>149,228</u>	<u>-</u>	<u>1,321,248</u>
Net Capital Assets	<u>\$ 5,622,170</u>	<u>\$ (149,228)</u>	<u>\$ -</u>	<u>\$ 5,472,942</u>

Depreciation expense in the fiduciary funds for the year was \$149,228.

NOTE 9 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll and benefits	\$ 1,593,847	\$ -
Construction	3,409,360	-
Vendor payables	1,219,307	9,256
Other payables	184,071	-
Federal categorical	301	-
Total	<u>\$ 6,406,886</u>	<u>\$ 9,256</u>

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 10 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	Primary Government	Fiduciary Funds
State categorical aid	\$ 5,695,161	\$ -
Federal categorical aid	347,331	-
Enrollment fees	3,854,606	58,429
Other local	384,145	-
Total	<u>\$ 10,281,243</u>	<u>\$ 58,429</u>

NOTE 11 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2018 fiscal year consisted of the following:

	(as restated)				
	Balance			Balance	Due in
	July 1, 2017	Additions	Deductions	June 30, 2018	One Year
Bonds Payable					
General Obligation Bond 2016 Series A	\$ -	\$ 100,000,000	\$ -	\$ 100,000,000	\$ 14,150,000
Premium on general obligation bonds	-	8,296,207	276,540	8,019,667	-
Lease revenue refunding bonds, series 2010B	950,000	-	395,000	555,000	405,000
Premium on lease revenue refunding bonds	31,508	-	13,504	18,004	-
Lease purchase agreement - 2015	11,315,000	-	11,315,000	-	-
Total Bonds Payable	<u>12,296,508</u>	<u>108,296,207</u>	<u>12,000,044</u>	<u>108,592,671</u>	<u>14,555,000</u>
Other Liabilities					
Compensated absences	2,030,448	198,627	-	2,229,075	194,890
Load banking	1,216,797	-	5,906	1,210,891	33,129
Net OPEB liability	3,243,664	2,741,332	2,866,258	3,118,738	-
Aggregate net pension obligation	101,114,975	16,671,473	-	117,786,448	-
Total Other Liabilities	<u>107,605,884</u>	<u>19,611,432</u>	<u>2,872,164</u>	<u>124,345,152</u>	<u>228,019</u>
Total Long-Term Obligations	<u>\$ 119,902,392</u>	<u>\$ 127,907,639</u>	<u>\$ 14,872,208</u>	<u>\$ 232,937,823</u>	<u>\$ 14,783,019</u>

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. 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 related to the net OPEB liability will be paid by the fund for which the employee worked. Pension expense related to the aggregate net pension obligation will be paid by the fund for which the employee worked. See Note 14 for further details of the aggregate net pension obligation.

General Obligation Bonds

In September 2017, the District issued the Election of 2016 General Obligation Bonds, Series A in the amount of \$100,000,000. The bonds have a final maturity which occurs on August 1, 2042, with interest rates from 3.00 to 5.00 percent. The bonds were issued as current interest bonds. The bonds were issued to finance the acquisition, construction, modernization, and equipping of District sites and facilities, prepay the 2015 Lease/Purchase Agreement and pay the cost of issuing the bonds. At June 30, 2018, the principal balance outstanding was \$100,000,000 and unamortized premium on issuance of \$8,019,667, respectively.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2017	Issued	Redeemed	Outstanding June 30, 2018
9/12/17	8/1/42	3.00% - 5.00%	\$ 100,000,000	\$ -	\$ 100,000,000	\$ -	\$ 100,000,000

The Election of 2016 General Obligation Bonds, Series A mature through 2043 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	\$ 14,150,000	\$ 3,681,700	\$ 17,831,700
2020	14,580,000	3,177,850	17,757,850
2021	13,715,000	2,611,950	16,326,950
2022	375,000	2,330,150	2,705,150
2023	500,000	2,310,150	2,810,150
2024-2028	4,800,000	10,972,500	15,772,500
2029-2033	9,895,000	9,217,525	19,112,525
2034-2038	16,585,000	6,636,150	23,221,150
2039-2043	25,400,000	2,707,800	28,107,800
Total	\$ 100,000,000	\$ 43,645,775	\$ 143,645,775

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Lease Revenue Bonds

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, 2018, the principal balance outstanding was \$555,000 and unamortized premium of \$18,004, respectively.

The outstanding lease revenue bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2018
				Outstanding July 1, 2017	Issued	Redeemed	
9/6/10	10/1/19	3.00% - 4.00%	\$ 3,065,000	\$ 950,000	\$ -	\$ 395,000	\$ 555,000

The bonds mature through 2020 as follows:

Fiscal Year	Current Interest to		Total
	Principal	Maturity	
2019	\$ 405,000	\$ 10,575	\$ 415,575
2020	150,000	2,250	152,250
Total	\$ 555,000	\$ 12,825	\$ 567,825

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.

In August 2017, a portion of the net proceeds from the sale of the Election of 2016 General Obligation Bonds, Series A was deposited into an escrow account to prepay the 2015 Lease/Purchase Agreement. As a result, the 2015 Lease/Purchase Agreement was defeased and the obligation of the District to make lease payments was terminated. Lease payments will be made from the escrow account as such payments come due. At June 30, 2018, the balance of the funds in the escrow account was \$10,734,022.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Compensated Absences

At June 30, 2018, the liability for compensated absences was \$2,229,074.

Load Banking

At June 30, 2018, the liability for load banking was \$1,210,891.

Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense of \$3,118,738, \$3,020,946, \$139,747, and \$(124,926), respectively.

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the plan is vested in the District management. Management of the trustee assets is vested with the Retiree Health Benefit Program Trust.

Plan Membership

At June 30, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	102
Active employees	516
	<hr/>
	618
	<hr/>

MiraCosta Community College District Retiree Health Benefit Program Trust

MiraCosta Community College District Retiree Health Benefit Program Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the MiraCosta Community College District Retirement Board of Authority as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Benefits Provided

The District provides health coverage for the retiree and any eligible dependents at the same level as that of current active employees until the retiree reaches age 65. To be eligible to receive retiree health coverage, the employee must be at least age 55 and have 10 years of eligible service at retirement. Retirees can elect health coverage from a menu of options for themselves and their dependents. The District pays for this coverage up to an annual maximum. For 2015, the annual maximum is based on the medical, dental, and vision plan elected by the retiree (\$22,287 for the PPO and \$18,555 for the HMO). The retiree must pay the cost for any benefits elected that result in total costs above the annual maximum, if any.

After reaching age 65, early retirees who retired from the District on or after June 30, 2004 and eligible active employees who retire on or after age 65 are eligible to receive reimbursement for premiums paid for a Medicare Supplement Policy. The District will reimburse the retiree up to an annual maximum (\$2,500 for retiree only/\$5,000 for retiree and spouse/domestic partner). The annual maximum is based on the average cost of Medicare Supplement policies according to AARP and may be updated each year. The dollar amount has not changed in past years. This benefit is payable only to the retiree and only through the earlier of age 75 or death.

Contributions

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 by the District governing board. For fiscal year 2016-2017, the District contributed \$984,894 to the Plan, all of which was used for current premiums. Plan members are not required to contribute to the Plan.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Global equities	9%
Domestic equities	37%
U.S. fixed income	43%
Commodities	3%
Inflation assets	8%

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 9.20 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of \$3,118,738 was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2017, were as follows:

Total OPEB liability	\$ 24,956,532
Plan fiduciary net position	<u>21,837,794</u>
District's net OPEB liability	<u>\$ 3,118,738</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>88%</u></u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00 percent
Discount rate	6.00 percent
Healthcare cost trend rates (HMO)	6.50 percent
Healthcare cost trend rates (PPO)	7.00 percent

The discount rate was based on using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class.

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for pension valuations.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Global equities	5.25%
Domestic equities	4.25%
U.S. fixed income	2.25%
Commodities	1.75%
Inflation assets	1.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2016	\$ 23,232,951	\$ 19,989,287	\$ 3,243,664
Service cost	1,263,552	-	1,263,552
Interest	1,444,923	-	1,444,923
Contributions-employer	-	984,894	(984,894)
Net investment income	-	1,881,364	(1,881,364)
Benefit payments	(984,894)	(984,894)	-
Administrative expense	-	(32,857)	32,857
Net change in total OPEB liability	1,723,581	1,848,507	(124,926)
Balance at June 30, 2017	\$ 24,956,532	\$ 21,837,794	\$ 3,118,738

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

There were no changes in benefit terms since the previous valuation.

There were no changes of assumptions since the previous valuation.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB 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 OPEB Liability</u>
1% decrease (5.0%)	\$ 5,193,805
Current discount rate (6.0%)	3,118,738
1% increase (7.0%)	1,246,371

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (HMO 5.5% and PPO 6.0%)	\$ 785,675
Current healthcare cost trend rate (HMO 6.5% and PPO 7.0%)	3,118,738
1% increase (HMO 7.5% and PPO 8.0%)	5,823,731

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of \$3,020,946. At June 30, 2018, the District reported deferred inflows of resources for differences between projected and actual earnings on OPEB plan investments of \$139,747.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (34,937)
2020	(34,937)
2021	(34,937)
2022	(34,936)
	<u>\$ (139,747)</u>

Aggregate Net Pension Obligation

At June 30, 2018, the liability for the aggregate net pension obligation amounted to \$117,786,448. See Note 14 for additional information.

NOTE 12 - LEASE REVENUES

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

Year Ending June 30,	Lease Revenue
2019	<u>\$ 45,375</u>

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 13 - RISK MANAGEMENT

Property and Liability 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 with coverages of \$500 million, subject to various policy limits and deductibles ranging from \$0 to \$10,000 per occurrence. The District also purchases commercial insurance for general liability claims with coverage up to \$55 million per occurrence and \$10 million aggregate, all subject to various deductibles.

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, 2018, 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	\$ 1,000,000
San Diego County Schools Risk Management	Excess Workers' Compensation	Statutory
San Diego County Schools Risk Management	Property	500,000,000
San Diego County Schools Risk Management	Liability	55,000,000

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 - 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.

For the fiscal year ended June 30, 2018, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 67,755,640	\$ 19,637,202	\$ 6,863,009	\$ 6,182,882
CalPERS	50,030,808	15,370,461	716,633	9,041,151
Total	<u>\$ 117,786,448</u>	<u>\$ 35,007,663</u>	<u>\$ 7,579,642</u>	<u>\$ 15,224,033</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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly 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.

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.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

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, 2018, are presented above, and the District's total contributions were \$5,499,020.

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

At June 30, 2018, 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	\$ 67,755,640
State's proportionate share of net pension liability associated with the District	40,083,664
Total	<u>\$ 107,839,304</u>

The net pension liability was measured as of June 30, 2017. 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. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.0733 percent and 0.0738 percent, respectively, resulting in a net decrease in the proportionate share of 0.0005 percent.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

For the year ended June 30, 2018, the District recognized pension expense of \$6,182,882. In addition, the District recognized pension expense and revenue of \$4,034,806 for support provided by the State. At June 30, 2018, 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	\$ 5,499,020	\$ -
Net change in proportionate share of net pension liability	1,335,091	3,876,720
Differences between projected and actual earnings on the pension plan investment	-	1,804,521
Differences between expected and actual experience in the measurement of the total pension liability	250,567	1,181,768
Changes of assumptions	12,552,524	-
Total	<u>\$ 19,637,202</u>	<u>\$ 6,863,009</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 subsequent fiscal year.

The deferred outflows/(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,	Deferred Outflows/(Inflows) of Resources
2019	\$ (1,500,165)
2020	1,135,183
2021	163,687
2022	(1,603,226)
Total	<u>\$ (1,804,521)</u>

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 1,440,201
2020	1,440,201
2021	1,440,201
2022	1,440,199
2023	1,243,803
Thereafter	2,075,089
Total	<u>\$ 9,079,694</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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed 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 (7.10 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:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 99,486,790
Current discount rate (7.10%)	67,755,640
1% increase (8.10%)	42,003,661

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly 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, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	On or before December 31, 2012	On or after 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	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, 2018, are presented above, and the total District contributions were \$4,369,152.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$50,030,808. The net pension liability was measured as of June 30, 2017. 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. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.2096 percent and 0.2097 percent, respectively, resulting in a net decrease in the proportionate share of 0.0001 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$9,041,151. At June 30, 2018, 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	\$ 4,369,152	\$ -
Net change in proportionate share of net pension liability	170,402	127,582
Differences between projected and actual earnings on the pension plan investment	1,730,723	-
Differences between expected and actual experience in the measurement of the total pension liability	1,792,398	-
Changes of assumptions	7,307,786	589,051
Total	<u>\$ 15,370,461</u>	<u>\$ 716,633</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 subsequent fiscal year.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The deferred outflows/(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,	Deferred Outflows/(Inflows) of Resources
2019	\$ (46,897)
2020	1,996,879
2021	728,485
2022	(947,744)
Total	<u>\$ 1,730,723</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 2,956,724
2020	3,075,804
2021	2,521,425
Total	<u>\$ 8,553,953</u>

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class 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%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 (6.15%)	\$ 73,611,351
Current discount rate (7.15%)	50,030,808
1% increase (8.15%)	30,468,773

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018. Total District contributions to the plan amounted to \$137,086.

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, 2018, which amounted to \$3,259,653 (7.065 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, 2018. 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 operating revenue and employee benefit expense.

Deferred Compensation

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

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

During the year ended June 30, 2018, the District made payments of \$441,931 and \$1,900,000 to San Diego School Risk Management and Retiree Health Benefit Program, respectively.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

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, 2018.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECTS</u>	<u>Construction Commitments</u>	<u>Expected Dates of Completion</u>
Theater/Film/Dance/Kinesiology	\$ 49,104	December 2018
CLC New Student Services Building	113,760	October 2020
SEC New Student Services Building	110,426	November 2020
SEC Renovate Classrooms and Labs	42,316	December 2018
OC Renovate Temporary Buildings	313,457	December 2018
	<u>\$ 629,063</u>	

The projects are funded through a combination of general obligation bonds, capital project apportionments from the California Community College Chancellor's Office, and local funds.

NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

<u>Primary Government</u>	
Net Position - Beginning	\$ 44,103,801
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	<u>(7,212,795)</u>
Net Position - Beginning, as restated	<u>\$ 36,891,006</u>

REQUIRED SUPPLEMENTARY INFORMATION

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 1,263,552
Interest	1,444,923
Benefit payments	<u>(984,894)</u>
Net changes in total OPEB liability	1,723,581
Total OPEB Liability - beginning	<u>23,232,951</u>
Total OPEB Liability - ending (a)	<u><u>\$ 24,956,532</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 984,894
Net investment income	1,881,364
Benefit payments	(984,894)
Administrative expense	<u>(32,857)</u>
Net change in plan fiduciary net position	1,848,507
Plan fiduciary net position - beginning	<u>19,989,287</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 21,837,794</u></u>
District's net OPEB liability - ending (a) - (b)	<u><u>\$ 3,118,738</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>87.50%</u>
Covered-employee payroll	<u><u>\$ 51,344,000</u></u>
District's net OPEB liability as a percentage of covered-employee payroll	<u><u>6.07%</u></u>

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

See accompanying note to required supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>
Actuarially determined contribution	\$ 1,682,394
Contributions in relations to the actuarially determined contribution	1,140,898
Contribution deficiency (excess)	<u>\$ 541,496</u>
Covered-employee payroll	<u>\$ 51,344,000</u>
Contribution as a percentage of covered-employee payroll	<u>2.22%</u>

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

See accompanying note to required supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2018**

2018

9.20%

Annual money-weighted rate of return, net of investment expense

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

See accompanying note to required supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.0733%	0.0738%
District's proportionate share of the net pension liability	\$ 67,755,640	\$ 59,693,011
State's proportionate share of the net pension liability associated with the District	40,083,664	33,982,167
Total	<u>\$ 107,839,304</u>	<u>\$ 93,675,178</u>
District's covered-employee payroll	\$ 37,091,558	\$ 38,363,029
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	182.67%	155.60%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.2096%	0.2097%
District's proportionate share of the net pension liability	\$ 50,030,808	\$ 41,421,964
District's covered-employee payroll	\$ 26,795,363	\$ 25,072,913
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	186.71%	165.21%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
<u>0.0805%</u>	<u>0.0773%</u>
\$ 54,179,992	\$ 45,153,292
<u>28,655,243</u>	<u>27,265,507</u>
<u>\$ 82,835,235</u>	<u>\$ 72,418,799</u>
<u>\$ 40,019,043</u>	<u>\$ 32,035,059</u>
<u>135.39%</u>	<u>140.95%</u>
<u>74%</u>	<u>77%</u>
<u>0.2074%</u>	<u>0.2105%</u>
<u>\$ 30,577,734</u>	<u>\$ 23,899,791</u>
<u>\$ 22,897,417</u>	<u>\$ 22,210,989</u>
<u>133.54%</u>	<u>107.60%</u>
<u>79%</u>	<u>83%</u>

MIRACOSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
Contractually required contribution	\$ 5,499,020	\$ 4,666,118
Contributions in relation to the contractually required contribution	5,499,020	4,666,118
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 38,108,247</u>	<u>\$ 37,091,558</u>
Contributions as a percentage of covered-employee payroll	<u>14.43%</u>	<u>12.58%</u>
CalPERS		
Contractually required contribution	\$ 4,369,152	\$ 3,721,340
Contributions in relation to the contractually required contribution	4,369,152	3,721,340
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 28,131,814</u>	<u>\$ 26,795,363</u>
Contributions as a percentage of covered-employee payroll	<u>15.531%</u>	<u>13.888%</u>

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
\$ 4,116,353	\$ 3,553,691
<u>4,116,353</u>	<u>3,553,691</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 38,363,029	\$ 40,019,043
<u>10.73%</u>	<u>8.88%</u>
\$ 2,970,388	\$ 2,695,255
<u>2,970,388</u>	<u>2,695,255</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 25,072,913	\$ 22,897,417
<u>11.847%</u>	<u>11.771%</u>

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuation.

Changes of Assumptions - There were no changes of assumptions since the previous valuation.

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Valuation Date: Actuarially determined contribution rates are calculated as of 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value basis
Inflation	2.75 percent
Healthcare cost trend rates	HMO - 6.50 percent PPO - 7.00 percent
Salary increases	3.00 percent
Investment rate of return	6.00 percent
Retirement age	100 percent of active employees meeting eligibility requirements are assumed to elect retire health coverage at retirement. Actual plan coverage is used for current retirees.
Mortality	Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for pension valuations.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions - The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District Contributions for Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

MIRACOSTA COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2018

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 two centers. 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 the Technology Career Institute in Carlsbad.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. David Broad	President	2018
Mr. Rick Cassar	Vice President	2018
Dr. William C. Fischer	Member	2018
Ms. Anna Pedroza	Member	2018
Mr. Frank Merchat	Member	2020
Mr. George McNeil	Member	2020
Ms. Jacqueline Simon	Member	2020

ADMINISTRATION

Dr. Sunita Cooke	Superintendent/President
Mr. Charlie Ng	Vice President, Business and Administrative Services
Dr. Diane Dieckmeyer	Vice President, Instructional Services
Dr. Alketa Wojcik	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, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. DEPARTMENT OF LABOR				
America's Promise Job Driven Grant Program	17.268		\$ 1,305,885	\$ 693,246
Passed through Chaffey Community College District				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants Program # 4	17.282	15C215	190,487	-
Total U.S. Department of Labor			<u>1,496,372</u>	<u>693,246</u>
SMALL BUSINESS ADMINISTRATION				
Veterans Business Outreach Center (VBOC) Program Grant	59.044		256,635	-
Passed through Southwestern Community College District				
North San Diego Small Business Development Center Program	59.037	NSD2017A	303,367	-
Total Small Business Administration			<u>560,002</u>	<u>-</u>
U.S. DEPARTMENT OF VETERAN AFFAIRS				
Veterans Services	64.117		8,709	-
U.S. DEPARTMENT OF EDUCATION				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		302,608	-
Federal Work-Study Program	84.033		266,072	-
Federal Work-Study Program Administrative Allowance	84.033		39,996	-
Federal Pell Grant Program	84.063		15,276,662	-
Federal Pell Grant Program Administrative Allowance	84.063		21,531	-
Federal Direct Student Loans	84.268		2,751,034	-
Subtotal Student Financial Assistance Cluster			<u>18,657,903</u>	<u>-</u>
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334A		1,021,150	-
Passed through California Department of Education (CDE)				
Adult Basic Education & ELA (Section 231)	84.002A	14508	175,011	-
Adult Secondary Education (Section 231)	84.002	13978	183,121	-
English Literacy & Civics Education - Local Grant	84.002A	14109	47,886	-
English Literacy & Civics Education	84.002	14750	25,841	-
Passed through California Community Colleges Chancellor's Office				
Career and Technical Education Act, Perkins Title I, Part C	84.048A	17-C01-032	369,580	-
CTE Transitions	84.048A	17-C01-032	41,592	-
Total U.S. Department of Education			<u>20,522,084</u>	<u>-</u>

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
Research and Development Cluster				
NATIONAL SCIENCE FOUNDATION				
Passed through Montgomery County Community College				
The NBC2: Building Regional and National Networks for a 21st Century Workforce in Bioeconomy	47.076	DUE-1501631	\$ 50,968	\$ -
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through University Auxiliary and Research Services Corporation at California State University San Marcos				
North San Diego County Bridges to the Future	93.859	85956-DG-PC	15,781	-
Total Research and Development Cluster			<u>66,749</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through California Community Colleges Chancellor's Office				
Temporary Assistance for Needy Families (TANF)	93.558	[1]	68,616	-
Passed through Yosemite Community College District				
Child Development Training Consortium	93.575	17-18-4096	30,090	-
Total U.S. Department of Health and Human Services			<u>98,706</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 22,752,622</u>	<u>\$ 693,246</u>

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Program	Program Revenues				Total Program Expenditures
	Cash Received	Accounts Receivable (Payable)	Unearned Revenue	Total Revenue	
Adult Education Block Grant Data and Accountability Program	\$ 151,266	\$ -	\$ 102,911	\$ 48,355	\$ 48,355
Adult Education Block Grant (AB104)	1,869,234	-	782,170	1,087,064	1,087,064
Basic Skills	416,288	-	295,480	120,808	120,808
Basic Skills and Student Outcome	443,964	-	9,042	434,922	434,922
Basic Skills Pilot Partners	124,600	14,000	-	138,600	138,600
Biomufacturing	75,865	-	28,914	46,951	46,951
Board Financial Assistance Program	428,697	-	-	428,697	428,697
Cal Grant	1,393,264	4,807	-	1,398,071	1,398,071
CalWORKs	355,456	-	-	355,456	355,456
Campus Safety and Sexual Assault	23,215	-	23,215	-	-
CARE	105,826	-	-	105,826	105,826
CCTP Promising Practice	8,620	-	-	8,620	8,620
Center For Excellence	-	201,717	-	201,717	201,717
Clean Energy Job Creation Act	964,575	-	964,575	-	-
CSUSM Teachers Grant	16,500	-	-	16,500	16,500
Career Technical Education - Data Unlocked Grant	49,316	-	31,977	17,339	17,339
Career Technical Education - Strong Workforce	2,059,642	-	1,524,347	535,295	535,295
Disabled Students Program and Services (DSPS)	1,065,279	-	-	1,065,279	1,065,279
EWD DSN	-	175,844	-	175,844	175,844
Extended Opportunity Program and Services (EOPS)	893,401	-	-	893,401	893,401
Full Time Student Success Grant	668,508	-	21,630	646,878	646,878
Go Biz Grant	120,681	45,050	-	165,731	165,731
Guided Pathways	327,195	-	275,842	51,353	51,353
Hunger Free Campus	24,845	-	12,390	12,455	12,455
Instructional Equipment	592,904	-	143,903	449,001	449,001
Licensed Vocational Nurse to Registered Nurse Grant	107,200	160,800	-	268,000	268,000
Lottery	434,745	242,219	-	676,964	676,964
Student Success and Support Program - Credit	3,611,923	-	642,790	2,969,133	2,969,133
Student Success and Support Program - Noncredit	295,530	-	126,699	168,831	168,831
Non-Resident Dreamer	26,020	-	1,730	24,290	24,290
Part-Time Faculty Reimbursement	231,686	-	-	231,686	231,686
SB 1070	49,480	-	-	49,480	49,480
Scheduled Maintenance	741,448	-	-	741,448	741,448
Staff Diversity	99,791	-	26,242	73,549	73,549
Student Equity	1,391,571	-	511,359	880,212	880,212
Student Success	148,500	-	42,563	105,937	105,937
SW Marketing	5,500	-	-	5,500	5,500
SWP Employment Readiness	100,000	2,106	-	102,106	102,106
SWP Labor Market Research	85,000	-	7,579	77,421	77,421
Textbook Affordability	38,685	-	17,331	21,354	21,354
Veteran's Resource Center	107,522	-	102,472	5,050	5,050
Zero Textbook Cost Degree	57,550	-	-	57,550	57,550
Zero Textbook Planning	-	25,230	-	25,230	25,230
Total State Categorical Programs	\$ 19,711,292	\$ 871,773	\$ 5,695,161	\$ 14,887,904	\$ 14,887,904

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, 2018**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2017 only)			
1. Noncredit	92.77	-	92.77
2. Credit	575.30	-	575.30
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit	-	-	-
2. Credit	381.86	-	381.86
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,771.30	-	5,771.30
(b) Daily Census Contact Hours	560.78	-	560.78
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	649.02	-	649.02
(b) Credit	116.57	-	116.57
3. Alternative Attendance Procedure Courses			
(a) Weekly Census Contact Hours	2,027.03	-	2,027.03
(b) Daily Census Contact Hours	841.39	-	841.39
(c) Noncredit Independent Study/Distance Education Courses	18.09	-	18.09
D. Total FTES	<u>11,034.11</u>	<u>-</u>	<u>11,034.11</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	575.29	-	575.29
2. Credit	233.19	-	233.19
<u>CCFS-320 Addendum</u>			
Centers FTES			
1. Noncredit	555.90	-	555.90
2. Credit	1,572.83	-	1,572.83

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, 2018

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 18,263,998	\$ -	\$ 18,263,998	\$ 18,263,600	\$ -	\$ 18,263,600
Other	1300	17,061,446	-	17,061,446	17,096,227	-	17,096,227
Total Instructional Salaries		35,325,444	-	35,325,444	35,359,827	-	35,359,827
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	9,120,953	-	9,120,953
Other	1400	-	-	-	1,194,651	-	1,194,651
Total Noninstructional Salaries		-	-	-	10,315,604	-	10,315,604
Total Academic Salaries		35,325,444	-	35,325,444	45,675,431	-	45,675,431
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	16,157,879	-	16,157,879
Other	2300	-	-	-	1,987,311	-	1,987,311
Total Noninstructional Salaries		-	-	-	18,145,190	-	18,145,190
Instructional Aides							
Regular Status	2200	3,003,330	-	3,003,330	3,003,330	-	3,003,330
Other	2400	821,691	-	821,691	821,691	-	821,691
Total Instructional Aides		3,825,021	-	3,825,021	3,825,021	-	3,825,021
Total Classified Salaries		3,825,021	-	3,825,021	21,970,211	-	21,970,211
Employee Benefits	3000	15,474,141	-	15,474,141	27,133,500	-	27,133,500
Supplies and Material	4000	-	-	-	1,247,400	-	1,247,400
Other Operating Expenses	5000	-	-	-	7,735,188	-	7,735,188
Equipment Replacement	6420	-	-	-	2,220	-	2,220
Total Expenditures Prior to Exclusions		54,624,606	-	54,624,606	103,763,950	-	103,763,950

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, 2018

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 20,233	\$ -	\$ 20,233	\$ 20,233	\$ -	\$ 20,233
Student Health Services Above Amount Collected	6441	-	-	-	159,290	-	159,290
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	118,952	-	118,952
Objects to Exclude							
Rents and Leases	5060	-	-	-	6,120	-	6,120
Lottery Expenditures							
Academic Salaries	1000	-	-	-	1,567,407	-	1,567,407
Classified Salaries	2000	-	-	-	130,272	-	130,272
Employee Benefits	3000	-	-	-	22,620	-	22,620
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

	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	\$ -	\$ -	\$ -	\$ 30,351	\$ -	\$ 30,351
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		20,233	-	20,233	2,055,245	-	2,055,245
Total for ECS 84362, 50 Percent Law		\$ 54,604,373	\$ -	\$ 54,604,373	\$ 101,708,705	\$ -	\$ 101,708,705
Percent of CEE (Instructional Salary Cost/Total CEE)		53.69%		53.69%	100.00%		100.00%
50% of Current Expense of Education					\$ 50,854,353		\$ 50,854,353

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

	General Obligation Bond Fund	Student Body Center Fee Trust
June 30, 2018, Annual Financial and Budget Report (CCFS-311)		
Reported Fund Balance	\$ 84,223,170	\$ 223,405
Adjustments to Increase Fund Balance		
Capital Assets	-	5,472,942
Adjustments to Decrease Fund Balance		
Accounts payable	1,012,468	-
Net Adjustments	1,012,468	5,472,942
Audited Fund Balance	<u>\$ 83,210,702</u>	<u>\$ 5,696,347</u>

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA)
EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

Activity Classification	Object Code				Unrestricted
EPA Revenue:	8630				\$ 1,117,841
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	0100-5900	\$ 1,117,841	\$ -	\$ -	\$ 1,117,841
Total Expenditures for EPA		\$ 1,117,841	\$ -	\$ -	\$ 1,117,841
Revenues Less Expenditures					\$ -

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2018**

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

Total Fund Balance:

General Funds	\$ 30,853,720	
Capital Project Funds	90,445,529	
Debt Service Funds	22,586,739	
Enterprise Funds	711,178	
Internal Service Funds	<u>296,150</u>	
Total Fund Balance - All District Funds		\$ 144,893,316

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	195,347,541	
Accumulated depreciation is	(88,466,705)	
Less fixed assets already recorded in the enterprise funds	<u>(18,706)</u>	106,862,130

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. (1,629,604)

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds.

Deferred outflows of resources related to OPEB at year-end consist of:

OPEB contributions subsequent to measurement date		3,020,946
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Deferred inflows of resources related to OPEB represent an acquisition of net position that applies to a future period and is not reported in the District's funds.

Deferred inflows of resources related to pensions at year-end consist of:

Differences between projected and actual earnings on OPEB plan investments		(139,747)
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Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds.

Deferred outflows of resources related to pensions at year-end consist of:

Pension contributions subsequent to measurement date	9,868,172	
Net change in proportionate share of net pension liability	1,505,493	
Differences between projected and actual earnings on pension plan investments	1,730,723	
Differences between expected and actual experience in the measurement of the total pension liability	2,042,965	
Changes of assumptions	<u>19,860,310</u>	

Total Deferred Outflows of Resources Related to Pensions		35,007,663
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See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION, CONTINUED JUNE 30, 2018

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds.

Deferred inflows of resources related to pensions at year-end consist of:

Net change in proportionate share of net pensions liability	\$ (4,004,302)	
Differences between projected and actual earnings on pension plan investments	(1,804,521)	
Differences between expected and actual experience in the measurement of the total pension liability	(1,181,768)	
Changes of assumptions	<u>(589,051)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (7,579,642)

Long-term obligations at year-end consist of:

Bonds payable	(108,592,671)	
Compensated absences (less amount set up in Governmental Funds)	(2,034,185)	
Load banking (less amount set up in Governmental Funds)	(1,177,762)	
Net OPEB liability	(3,118,738)	
Aggregate net pension obligation	<u>(117,786,448)</u>	<u>(232,709,804)</u>
Total Net Position		\$ <u>47,725,258</u>

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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 Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Position:		\$22,750,585
Federal Work-Study Program Administrative Allowance	84.033	2,071
Federal Pell Grant Program Administrative Allowance	84.063	(34)
Total Expenditures of Federal Awards		<u>\$22,752,622</u>

Schedule of Expenditures of State Awards

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

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

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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 Audited 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 audited financial statements.

Proposition 30 Education Protection Account (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 government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITOR'S REPORTS



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

Board of Trustees
MiraCosta Community College District
Oceanside, California

We have audited, in accordance with the 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 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, 2018, 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 5, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 17 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 a 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.

Vannex-Tune Day & Co. LLP

Rancho Cucamonga, California
December 5, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2018. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of 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, 2018.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Valerie June Day & Co., LLP

Rancho Cucamonga, California
December 5, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

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 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with State laws and regulations, and the terms and conditions of its State awards applicable to its State programs.

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 2017-2018 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 opinions. 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 State programs noted below that were audited for the year ended June 30, 2018.

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	Dual Enrollment (CCAP and Non-CCAP)
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP) Funds
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 440	Intersession Extension Programs
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	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 did not expend Proposition 39 Clean Energy funds during the fiscal year; 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 Apprenticeship Related and Supplemental Instruction (RSI) Funds programs for funding; therefore, the compliance tests within this section were not applicable.

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

The District did not receive any funding through Proposition 1D and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.


Rancho Cucamonga, California
December 5, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

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 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.007, 84.033, and 84.268	<u>Student Financial Assistance Cluster</u>
<u>17.268</u>	<u>America's Promise Job Driven Grant Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</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, 2018**

None reported.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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.