Financial and Performance Audits
Measure MM General Obligation Bonds
June 30, 2019

MiraCosta Community College District

Financial Audit
Measure MM General Obligation Bonds
June 30, 2019

MiraCosta Community College District

MIRACOSTA COMMUNITY COLLEGE DISTRICT
MEASURE MM GENERAL OBLIGATION BONDS

FINANCIAL AUDIT
TABLE OF CONTENTS
JUNE 30, 2019

FINANCIAL SECTION

Independent Auditor's Report 2

Measure MM General Obligation Bonds

Balance Sheet 4

Statement of Revenues, Expenditures, and Changes in Fund Balance 5

Notes to Financial Statements 6

INDEPENDENT AUDITOR'S REPORT

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* 14

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statement Findings 17

Summary Schedule of Prior Audit Findings 18

Additional Recommendations 19

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees and the
Independent Citizens' Bond Oversight Committee
MiraCosta Community College District
Oceanside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the MiraCosta Community College District's (the District), Measure MM General Obligation Bond Fund (Measure MM), as of and for the year ended June 30, 2019, and the related notes to the 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 statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit 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 financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the District's Measure MM General Obligation Bond Fund (Measure MM) 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 Measure MM General Obligation Bond Fund (Measure MM) internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure MM General Obligation Bond Fund (Measure MM) of the District at June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Measure MM General Obligation Bond Fund specific to Measure MM are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2019, on our consideration of the District's Measure MM General Obligation Bond Fund (Measure MM) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 Measure MM General Obligation Bond Fund (Measure MM) 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 Measure MM General Obligation Bond Fund (Measure MM) internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 11, 2019

MIRACOSTA COMMUNITY COLLEGE DISTRICT
MEASURE MM GENERAL OBLIGATION BONDS

BALANCE SHEET
JUNE 30, 2019

ASSETS		
Investments	$	73,102,789
Accounts receivable		833,814
Due from other funds		13,855
Total Assets	$	73,950,458
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$	2,248,829
Due to other funds		27,830
Total Liabilities		2,276,659
FUND BALANCE		
Restricted for capital projects		71,673,799
Total Liabilities and Fund Balance	$	73,950,458

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT
MEASURE MM GENERAL OBLIGATION BONDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019

REVENUES		
Local revenues	$	1,908,460
EXPENDITURES		
Supplies and materials		19,108
Services and operating expenditures		252,691
Capital outlay		13,173,564
Total Expenditures		13,445,363
EXCESS OF EXPENDITURES OVER REVENUES		(11,536,903)
FUND BALANCE, BEGINNING OF YEAR		83,210,702
FUND BALANCE, END OF YEAR	$	71,673,799

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the MiraCosta Community College District's (the District) Measure MM General Obligation Bond Fund (Measure MM) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The District's Measure MM General Obligation Bond Fund (Measure MM) accounts for the financial transactions in accordance with the policies and procedures of the California Community Colleges *Budget and Accounting Manual.*

Financial Reporting Entity

The financial statements include only the Measure MM General Obligation Bond Fund (Measure MM) of the District used to account for Measure MM projects. This Fund was established to account for the expenditures of general obligation bonds issued under Measure MM. These financial statements are not intended to present fairly the financial position and changes in financial position of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Measure MM General Obligation Bond Fund (Measure MM) are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Measure MM General Obligation Bond Fund (Measure MM) is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. These fund financial statements do not include the adoption of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as the District was not required to adopt GASB Statement No. 54 under the reporting requirements of GASB Statement No. 35.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

Fund Balance

As of June 30, 2019, the fund balance of the Measure MM General Obligation Bond Fund (Measure MM) was classified as follows:

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - INVESTMENTS

Policies and Practices

The District is authorized under *California Government Code* to make direct investments in local agency bonds, notes, or warrants within the State: U.S. Treasury instrument; 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 agreement; 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

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accounting financial statement 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

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 is 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 investing in the San Diego County Investment Pool. The District maintains a Measure MM General Obligation Bond Fund investment of $73,102,789 with the San Diego County Investment Pool, with an average maturity of 528 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the San Diego County Investment Pool was rated AAAf/S1 by Fitch, as of June 30, 2019.

NOTE 3 - 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 that 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.

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Fair Value	Uncategorized
San Diego County Investment Pool	$ 73,278,322	$ 73,278,322

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

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, consisted of the following:

Interest	$ 833,814

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund payable balance at June 30, 2019, was as follows:

A balance of $10,159 is due to the Measure MM General Obligation Bond Fund (Measure MM) from the General Fund for the reimbursement of expenditures.

A balance of $3,696 is due to the Measure MM General Obligation Bond Fund (Measure MM) from the Capital Outlay Projects Fund for the reimbursement of expenditures.

A balance of $27,830 is due from the Measure MM General Obligation Bond Fund (Measure MM) to the Capital Outlay Projects Fund for the reimbursement of expenditures.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

Capital outlay	$ 2,248,829

NOTE 7 - FUND BALANCE

Fund balance is composed of the following:

Restricted	
Capital projects	$ 71,673,799

NOTE 8 - BONDED DEBT

On November 8, 2016, the voters of the District approved Measure MM, which allowed the District to issue $455,000,000 of general obligation bonds to be used to finance the acquisition, construction, modernization, and equipping of District sites and facilities, prepay the 2015 Lease, and to pay the cost of issuance associated with the Bonds. The debt is being paid by the District's Bond Interest and Redemption Fund.

Series A General Obligation Bonds

On September 12, 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 percent to 5.00 percent. The bonds were issued as current interest bonds. At June 30, 2019, the principal balance outstanding was $85,850,000.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Issued	Redeemed	Bonds Outstanding June 30, 2019
9/12/17	8/1/42	3.00% - 5.00%	$ 100,000,000	$ 100,000,000	$ -	$ 14,150,000	$ 85,850,000

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

Fiscal Year	Principal	Current Interest to Maturity	Total
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	635,000	2,281,775	2,916,775
2025-2029	5,675,000	10,710,625	16,385,625
2030-2034	11,120,000	8,752,725	19,872,725
2035-2039	18,115,000	6,011,750	24,126,750
2040-2043	21,135,000	1,777,100	22,912,100
Total	$ 85,850,000	$ 39,964,075	$ 125,814,075

NOTE 9 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2019, the Measure MM General Obligation Bond Fund (Measure MM) had the following commitments with respect to unfinished projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
CLC Monument Sign and Demo SBDC	$ 617,770	December 2019
SAN Reno Building 500 Language Lab	2,468,874	February 2020
SAN Reno Building 300 Classrooms	423,858	October 2019
SAN Swing Space	54,820	October 2019
	$ 3,565,322	

Litigation

The District is not currently a party to any legal proceedings related to the Measure MM General Obligation Bond Fund (Measure MM) at June 30, 2019.

INDEPENDENT AUDITOR'S REPORT

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CPAs & BUSINESS ADVISORS

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 and the
Independent Citizens' Bond Oversight Committee
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 MiraCosta Community College District (the District) Measure MM General Obligation Bond Fund (Measure MM), as of and for the year ended June 30, 2019, and the related notes of the financial statements, and have issued our report thereon dated December 11, 2019.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Measure MM General Obligation Bond Fund specific to Measure MM are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 Measure MM General Obligation Bond Fund (Measure MM) 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 Measure MM General Obligation Bond Fund (Measure MM) internal control. Accordingly, we do not express an opinion on the effectiveness of the District's Measure MM General Obligation Bond Fund (Measure MM) internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's Measure MM General Obligation Bond Fund (Measure MM) 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.

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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 Measure MM General Obligation Bond Fund (Measure MM) financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's Measure MM General Obligation Bond Fund (Measure MM) 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 Measure MM General Obligation Bond Fund (Measure MM) internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 11, 2019

Schedule of Findings and Questioned Costs

MIRACOSTA COMMUNITY COLLEGE DISTRICT
MEASURE MM GENERAL OBLIGATION BONDS

FINANCIAL STATEMENT FINDINGS
JUNE 30, 2019

None reported.

MIRACOSTA COMMUNITY COLLEGE DISTRICT
MEASURE MM GENERAL OBLIGATION BONDS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

MIRACOSTA COMMUNITY COLLEGE DISTRICT
MEASURE MM GENERAL OBLIGATION BONDS

ADDITIONAL RECOMMENDATIONS
JUNE 30, 2019

None reported.

Performance Audit
Measure MM General Obligation Bonds
June 30, 2019

MiraCosta Community College District

MIRACOSTA COMMUNITY COLLEGE DISTRICT
MEASURE MM GENERAL OBLIGATION BONDS

PERFORMANCE AUDIT
TABLE OF CONTENTS
JUNE 30, 2019

Independent Auditor's Report on Performance	1
Authority for Issuance	2
Purpose of Issuance	2
Authority for the Audit	2
Objectives of the Audit	3
Scope of the Audit	3
Procedures Performed	3
Conclusion	4
Schedule of Findings and Questioned Costs	5
Summary Schedule of Prior Audit Findings	6
Additional Recommendations	7

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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Board of Trustees and the
Independent Citizens' Bond Oversight Committee
MiraCosta Community College District
Oceanside, California

We were engaged to conduct a performance audit of the MiraCosta Community College District's (the District) Measure MM General Obligation Bond Fund (Measure MM) funds for the year ended June 30, 2019.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District's Measure MM General Obligation Bond Fund (Measure MM) funds are in compliance with Proposition 39 as outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution.

Eide Bailly LLP

Rancho Cucamonga, California
December 11, 2019

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AUTHORITY FOR ISSUANCE

The general obligation bonds associated with Measure MM were issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act"), commencing with Section 53506 et seq., as amended, Article XIIIA of the California Constitution and the Resolution. The bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County on August 1, 2017, pursuant to a request of the District made by a resolution adopted by the Board Trustees of the District on June 22, 2017 and July 20, 2017, collectively known as "The Resolution".

The District received authorization from an election held on November 8, 2016, to issue bonds of the District in an aggregate principal amount not to exceed $455,000,000 to finance the acquisition, construction, modernization, and equipping of District sites and facilities, prepay the 2015 Lease, and to pay the cost of issuance associated with the Bonds approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2016 Authorization). The bonds represent the first series of the authorized bonds to be issued under the 2016 Authorization.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds issued under the 2016 Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which include the financing of the construction and modernization of certain District property and facilities, the acquisition of equipment, to pay the costs of issuance associated with the Bonds and to prepay the 2015 Lease. The proceeds from the Bonds are to be used for projects such as upgrade classrooms and career training facilities for science, healthcare, technology, advanced manufacturing, other growing local industries, provide job training/placement to Navy/Marines/other veterans, improve access to affordable higher education to local students, improve disabled access, and repair, construct, acquire classrooms, facilities, sites/equipment. All projects to be funded under the Measure MM General Obligation Bonds must be included in the Board of Trustees' approved Facilities Master Plan, which details the scope of work to be done for each project.

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIIIA, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

2. The community college district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.

3. Requires the community college district to appoint a citizens' oversight committee.

4. Requires the community college district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.

5. Requires the community college district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Measure MM General Obligation Bond Fund (Measure MM) have been made in accordance with the bond project list approved by the voters through the approval of Measure MM.

2. Determine whether salary transactions, charged to the Measure MM General Obligation Bond Fund (Measure MM) were in support of Measure MM and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2018 to June 30, 2019. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2019, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2019, for the Measure MM General Obligation Bond Fund (Measure MM). Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIIIA, Section 1(b)(3)(C) of the California Constitution and Measure MM as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2018 and ending June 30, 2019, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.

2. Our sample included transactions totaling $7,149,127. This represents 53 percent of the total expenditures of $13,445,363.

3. We reviewed a sample of project contracts during the 2018-2019 fiscal year that were subject to the bid requirements. The District used formal bid procedures for those contracts over the bid level requirements in accordance with the California Public Contract Code Section 20651(b).

4. We reviewed a sample of change orders that were processed during the 2018-2019 fiscal year and determined that the change orders were approved by the Board of Trustees of MiraCosta Community College District.

5. Based on our testing, we verified that funds from the Measure MM General Obligation Bond Fund (Measure MM) were expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

CONCLUSION

The results of our tests indicated that, in all significant respects, the MiraCosta Community College District has properly accounted for the expenditures held in the Measure MM General Obligation Bond Fund (Measure MM) and that such expenditures were made for authorized Bond projects. There were no salaries of administrators charged to the Measure MM General Obligation Bond Fund (Measure MM) for District general administration or operations.

MIRACOSTA COMMUNITY COLLEGE DISTRICT
MEASURE MM GENERAL OBLIGATION BONDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

None reported.

MIRACOSTA COMMUNITY COLLEGE DISTRICT
MEASURE MM GENERAL OBLIGATION BONDS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

MIRACOSTA COMMUNITY COLLEGE DISTRICT
MEASURE MM GENERAL OBLIGATION BONDS

ADDITIONAL RECOMMENDATIONS
JUNE 30, 2019

None reported.