



Financial Statements  
June 30, 2021

# MiraCosta Community College District

Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	4
Basic Financial Statements	
Primary Government	
Statement of Net Position .....	18
Statement of Revenues, Expenses and Changes in Net Position.....	19
Statement of Cash Flows .....	20
Fiduciary Funds	
Statement of Net Position .....	22
Statement of Changes in Net Position .....	23
Notes to Financial Statements .....	24
Required Supplementary Information	
Schedule of Changes in the District's Net OPEB (Asset) Liability and Related Ratios.....	61
Schedule of District Contributions for OPEB.....	62
Schedule of OPEB Investment Returns .....	63
Schedule of the District's Proportionate Share of the Net Pension Liability .....	64
Schedule of the District Contributions for Pensions.....	65
Notes to Required Supplementary Information .....	66
Supplementary Information	
District Organization .....	68
Schedule of Expenditures of Federal Awards .....	69
Schedule of Expenditures of State Awards.....	71
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance .....	73
Reconciliation of <i>Education Code</i> Section 84362 (50 Percent Law) Calculation.....	74
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements.....	77
Proposition 30 Education Protection Account (EPA) Expenditure Report.....	78
Reconciliation of Governmental Funds to the Statement of Net Position .....	79
Notes to Supplementary Information.....	81
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 <i>Government Auditing Standards</i> .....	83
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance .....	85
Independent Auditor's Report on State Compliance.....	88

## Schedule of Findings and Questioned Costs

Summary of Auditor's Results.....	90
Financial Statement Findings and Recommendations.....	91
Federal Awards Findings and Questioned Costs.....	92
State Compliance Findings and Questioned Costs.....	94
Summary Schedule of Prior Audit Findings.....	95



## 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 remaining fund information of MiraCosta Community College District (the District) as of and for the year ended June 30, 2021, 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. 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 remaining fund information of the District as of June 30, 2021, 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 Principle**

As discussed in Note 2 and Note 13 to the financial statements, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of net position as of July 1, 2020. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 17, and other required supplementary schedules on pages 61 through 65 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, including the Schedule of Expenditures of Federal Awards, as required by the audit requirements of 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 other supplementary information listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate 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 Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are 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 February 10, 2022, 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.

A handwritten signature in black ink that reads "Erik Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
February 10, 2022



## MIRACOSTA COMMUNITY COLLEGE DISTRICT

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### INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of MiraCosta Community College District (the District) for the year ended June 30, 2021. 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 community college, part of the 116 community colleges in the state. The District operates two campuses and two centers. The main campus is located in Oceanside, California on a 121-acre site. The second campus, San Elijo Campus, is a 42-acre site in Cardiff. The Community Learning Center in Oceanside, a 7.6-acre site, serves our Adult Education and other community services. The Technology Career Institute, a 22,627-square-foot site in Carlsbad is focused on career and job training programs, and also houses the North San Diego Small Business Development Center. MiraCosta students may choose from associate degrees, certificate programs or transfer courses toward a bachelor's degree at a four-year University. MiraCosta also offers a bachelor's degree in Bio-manufacturing, one of only 15 California community colleges to offer a bachelor's degree; upper degree coursework began in fall 2017.

### 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.

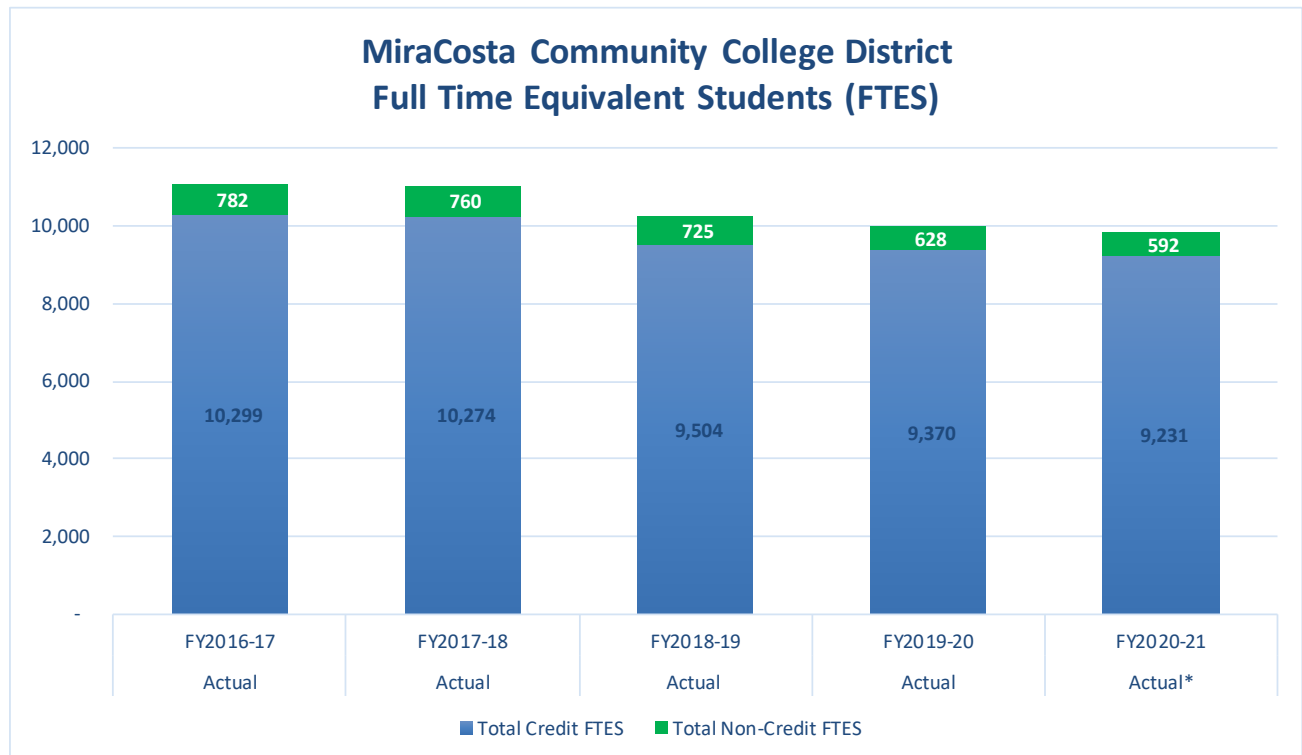
Management's Discussion and Analysis pertain to the Primary Government funds that include all funds except for Fiduciary Funds (Fund 79-OPEB Trust Fund).

### Full-Time Equivalent Student

The total full-time equivalent students (FTES) of 9,823 declined by 175 or 1.8% from the prior year of 9,998. The past two years' FTES average was 10,100 while the previous two years were just over 11,000 FTES. The decline is a reflection of demographics, the job market, and other competing priorities for potential students that is consistent throughout the State. The COVID-19 impact started in March 2020, and contributed to the decline in the past two years.

Full Time Equivalent Students FTES	Actual FY2016-17	Actual FY2017-18	Actual FY2018-19	Actual FY2019-20	Actual* FY2020-21
Total Credit FTES	10,299	10,274	9,504	9,370	9,231
Total Non-Credit FTES	782	760	725	628	592
<b>Total FTES</b>	<b>11,082</b>	<b>11,034</b>	<b>10,229</b>	<b>9,998</b>	<b>9,823</b>
Total FTES Annual Change from Prior Year	(267)	(48)	(805)	(231)	(175)
Total FTES % Change year to year	-2.3%	-0.4%	-7.3%	-2.3%	-1.8%

\*Source: MCCD Period 3 July 2021 Attendance Report





## **STATEMENT OF NET POSITION**

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources 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), deferred outflows of resources, liabilities (current and non-current), deferred inflows of resources and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources).

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, deferred outflows of resources, and total liabilities and deferred inflows of resources (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, net investment 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 positions 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, 2021

A Statement of Net Position as of June 30, 2021 and 2020, is summarized below:

	2021	2020, as restated	Change
<b>Assets</b>			
Cash and investments	\$ 357,753,633	\$ 117,219,371	\$ 240,534,262
Receivables	15,819,210	8,282,661	7,536,549
Other current assets	793,387	478,938	314,449
Capital assets, net	196,850,164	155,379,480	41,470,684
Total assets	<u>571,216,394</u>	<u>281,360,450</u>	<u>289,855,944</u>
Deferred Outflows of Resources	<u>32,523,150</u>	<u>35,488,765</u>	<u>(2,965,615)</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	32,503,146	20,842,663	11,660,483
Current portion of long-term liabilities	15,051,370	13,908,494	1,142,876
Noncurrent portion of long-term liabilities	479,350,877	201,631,500	277,719,377
Total liabilities	<u>526,905,393</u>	<u>236,382,657</u>	<u>290,522,736</u>
Deferred Inflows of Resources	<u>6,773,228</u>	<u>9,707,567</u>	<u>(2,934,339)</u>
<b>Net Position</b>			
Net investment in capital assets	98,293,075	117,035,137	(18,742,062)
Restricted	57,877,769	30,269,811	27,607,958
Unrestricted deficit	<u>(86,109,921)</u>	<u>(76,545,957)</u>	<u>(9,563,964)</u>
Total net position	<u><u>\$ 70,060,923</u></u>	<u><u>\$ 70,758,991</u></u>	<u><u>\$ (698,068)</u></u>

- Cash and investments from the beginning of the fiscal year of \$117.2 million increased by \$240.5 million to end at \$357.8 million at fiscal year-end. The 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. Incoming cash from Noncapital Financing Activities were \$144.5 million, the largest from Property tax revenue of \$117.2 million, followed by federal and state grants and state and other apportionments. Net cash outflows from operating activities were \$140.7 million, the largest from payments to employees of \$124.1 million. The net cash flow from Capital Financing activities was a net inflow of \$232.9 million from the issuance of Measure MM, Series B general obligation bonds. The inflows were greater than outflows by \$240.5 million.
- The accounts receivable balance of \$15.8 million includes receivables for categorical programs and/or grants, lottery proceeds, and 4th quarter interest. Accounts receivable increased \$7.5 million from the prior year due to the timing of actual cash received after the year-end cut off for June revenues and increase in categorical revenue receivables. Federal and state categorical aid receivables increased by a combined \$7.0 million.
- Accounts payable and accrued liabilities balance of \$19.8 million 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 \$10.5 million from the prior year is from the change in volume/activities of goods and services received in June, for payment in July, as well as an increase in interest payable on general obligation bonds.
- Unearned revenue of \$12.7 million, an increase of \$1.2 million from the prior year, consists of revenue received prior to being earned and includes enrollment fees for Summer and Fall and State categorical aid. The \$15.1 million of long-term liabilities other than pension and OPEB due within one year, reflects the amounts due within one year for the general obligation bond series A and B for \$14.9 million and the liability of compensated absences/load banking of \$0.2 million (see Note 7, page 39).
- The \$336.4 million of long-term liabilities other than pension and OPEB due in more than one year, represents \$57.2 million of the bond series A liability, \$240.5 million of the bond series B liability and \$4.6 million of compensated absences/load banking liability. The increase by \$267.4 million from the prior year balance is primarily from the issuance of series B general obligation bonds.
- The total Net position of \$70.1 million include capital assets, net of related debt, debt service and capital projects funds, restricted assets for educational programs, and unrestricted assets. The net change from the prior year was a decrease of \$0.7 million.

## **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 non-operating revenues earned, whether received or not, by the District, the operating and non-operating 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. Non-operating revenues are those received or pledged for which goods and services are not provided; for example, State appropriations are non-operating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

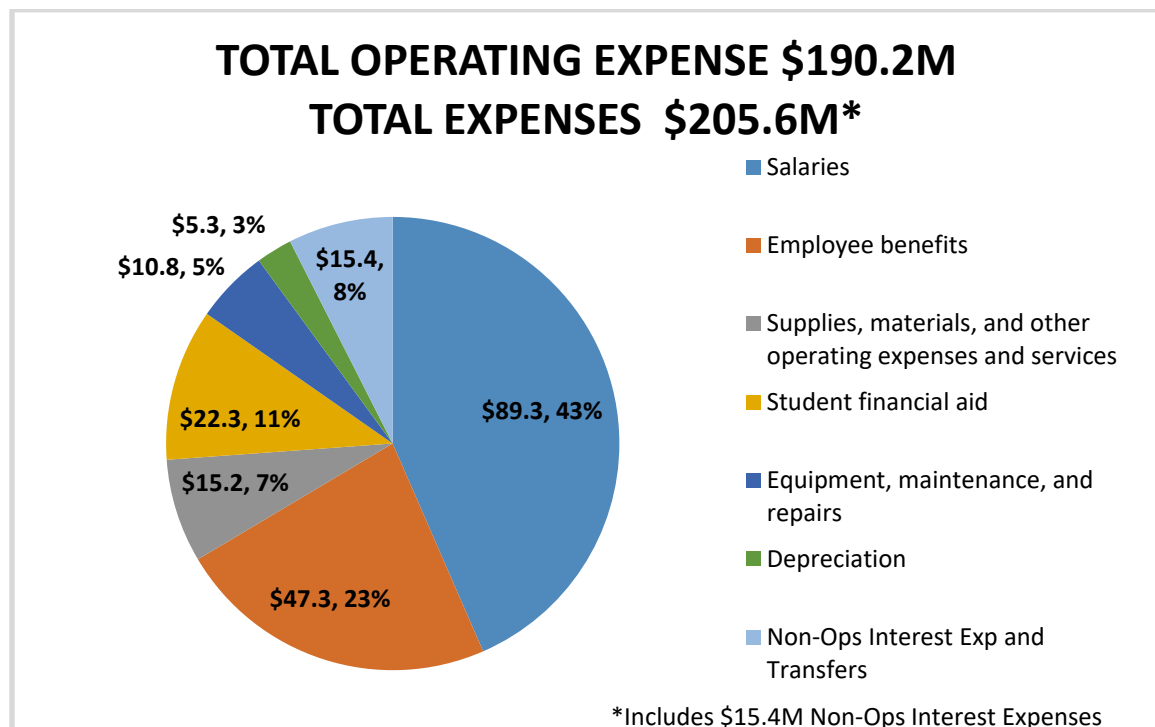
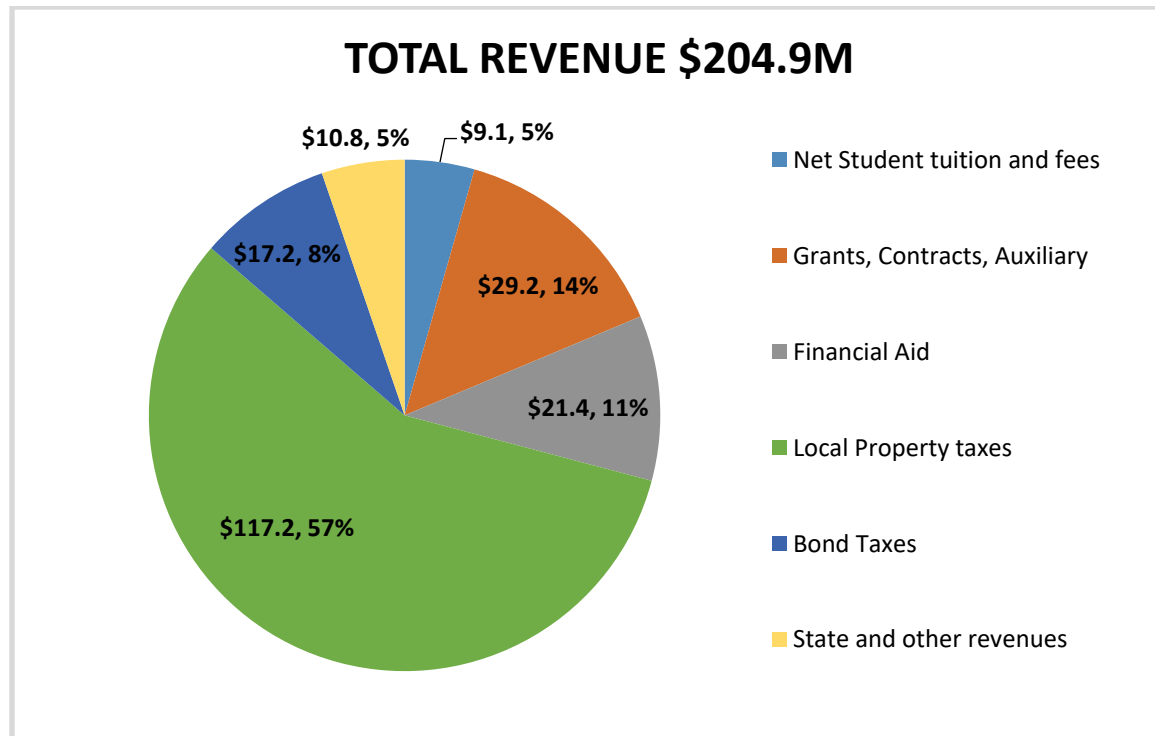
The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2021 and 2020, is summarized on the following page.

MiraCosta Community College District  
Management's Discussion and Analysis  
June 30, 2021

	2021	2020, as restated	Change
Operating Revenues			
Tuition and fees, net	\$ 9,049,034	\$ 9,858,742	\$ (809,708)
Grants and contracts, noncapital	29,142,130	18,057,346	11,084,784
Auxiliary sales and charges	88,868	173,529	(84,661)
Total operating revenues	<u>38,280,032</u>	<u>28,089,617</u>	<u>10,190,415</u>
Operating Expenses			
Salaries and benefits	136,641,317	134,493,487	2,147,830
Supplies, services, equipment, maintenance, and other operating	26,004,498	20,925,263	5,079,235
Student financial aid	22,267,892	23,000,000	(732,108)
Depreciation	5,293,133	4,679,197	613,936
Total operating expenses	<u>190,206,840</u>	<u>183,097,947</u>	<u>7,108,893</u>
Loss on operations	<u>(151,926,808)</u>	<u>(155,008,330)</u>	<u>3,081,522</u>
Nonoperating Revenues (Expenses)			
State apportionments, noncapital	2,193,803	2,250,462	(56,659)
Property taxes	134,476,190	127,326,263	7,149,927
Student financial aid grants	21,383,401	23,000,000	(1,616,599)
State revenues	3,524,294	9,032,333	(5,508,039)
Net interest expense	(11,270,811)	209	(11,271,020)
Other nonoperating revenues	921,863	216,334	705,529
Total nonoperating revenue (expenses)	<u>151,228,740</u>	<u>161,825,601</u>	<u>(10,596,861)</u>
Other Revenues (Losses)			
State and local capital income	-	367,919	(367,919)
Loss on disposal of capital assets	-	(141,534)	141,534
Total other revenues (losses)	<u>-</u>	<u>226,385</u>	<u>(226,385)</u>
Change in net position	<u>\$ (698,068)</u>	<u>\$ 7,043,656</u>	<u>\$ (7,741,724)</u>

- Net tuition and fees were \$9.0 million compared to prior year of \$9.9 million, a reduction of \$0.8 million (or 8.0%). Net tuition and fees are comprised of gross tuition/fees less scholarship/waivers. Gross tuition/fees were \$15.1 million vs prior year of \$15.8 million, and waivers were \$6.0 million vs prior year of \$5.9 million.
- Grants and contracts revenues totaled \$29.1 million, an increase of \$11.1 million, from higher State programs
- Local property taxes of \$134.5 million includes \$17.2 million of taxes levied for the general obligation bond. Local property taxes for general purposes was \$117.2 million, an increase of \$5.3 million (4.8%), from higher assessed property values.
- State apportionments and other state revenues of \$2.2 million and \$3.5 million, respectively, include Education Protection Act (EPA), other general apportionment, STRS pass through revenue, and other revenues.

TOTAL REVENUES \$204.9 Million less Total Expenses \$205.6 Million = (\$0.7) Million Change in Net Position



Expenses are reported by their operating categories as follows:

	2021	2020, as restated	Change
Operating Expenses			
Salaries	\$ 89,338,105	\$ 88,745,823	\$ 592,282
Employee benefits	47,303,212	45,747,664	1,555,548
Supplies, materials, and other operating expenses and services	15,194,930	15,876,306	(681,376)
Student financial aid	22,267,892	23,000,000	(732,108)
Equipment, maintenance, and repairs	10,809,568	5,048,957	5,760,611
Depreciation	5,293,133	4,679,197	613,936
Total operating expenses	<u>\$ 190,206,840</u>	<u>\$ 183,097,947</u>	<u>\$ 7,108,893</u>

Salaries of \$89.3 million increased by \$0.6 million, relatively flat from the prior year. The increases from the annual step and column and COLAs, were offset from less hourly instructional and non-instruction personnel costs from the impact of COVID-19. Employee benefits of \$47.3 million increased by \$1.6 million from CalSTRS/CalPERS rate increases and health insurance premiums. Employee benefits include \$11.4 million of benefits associated with pension and OPEB expenses, from the auditor's post close entry.

Supplies, materials, and other operating expenses and services of \$15.2 million decreased by \$0.7 million from the impact of distance education and remote working conditions. Fixed expenses were relatively flat; however, variable expenses such as travel, supplies, and other operating expenses were lower from the impact of COVID-19 from remote and hybrid work schedules.

Equipment, maintenance, and repairs of \$10.8 million increased by \$5.8 million from Fund 12-general restricted funds (grants) and Fund 41 capital projects.

Student financial aid of \$22.3 million was decreased from prior year by \$0.7 million primarily from increases in financial aid from the CARES ACT grant due to the COVID-19 pandemic.

MiraCosta Community College District  
Management's Discussion and Analysis  
June 30, 2021

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	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	\$ 62,297,101	\$ 6,563,328	\$ 1,242,162	\$ -	\$ 118,043	\$ -	\$ 70,220,634
Instructional administration and government	-	6,398,406	322,316	-	13,337	-	6,734,059
Instructional support services	3,095,300	6,003,399	472,054	-	182,005	-	9,752,758
Admissions and records	-	2,397,627	31,410	-	708	-	2,429,745
Student counseling and guidance	-	7,765,515	55,645	-	2,389	-	7,823,549
Other student services	12,925	11,995,162	1,120,402	-	25,051	-	13,153,540
Operation and maintenance of plant	-	4,665,721	3,082,217	-	71,278	-	7,819,216
Planning, policymaking, and coordination	-	2,001,597	364,439	-	231	-	2,366,267
General institutional support services	-	14,438,149	5,311,855	-	120,991	-	19,870,995
Community services and economic development	-	4,083,410	1,579,616	-	4,041	-	5,667,067
Ancillary services	-	2,884,248	520,910	-	15,658	-	3,420,816
Auxiliary operations	-	473,924	199,169	-	131	-	673,224
Physical property and related acquisitions	-	1,565,505	892,735	-	10,255,705	-	12,713,945
Student aid	-	-	-	22,267,892	-	-	22,267,892
Unallocated depreciation	-	-	-	-	-	5,293,133	5,293,133
Total	<u>\$ 65,405,326</u>	<u>\$ 71,235,991</u>	<u>\$ 15,194,930</u>	<u>\$ 22,267,892</u>	<u>\$ 10,809,568</u>	<u>\$ 5,293,133</u>	<u>\$ 190,206,840</u>



## 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, 2021 and 2020, is summarized below:

	2021	2020, as restated	Change
Net Cash Flows from			
Operating activities	\$ (140,721,050)	\$ (141,281,899)	\$ 560,849
Noncapital financing activities	144,541,719	147,771,901	(3,230,182)
Capital financing activities	232,878,088	(34,465,141)	267,343,229
Investing activities	3,835,505	3,211,971	623,534
Net Increase (Decrease) in Cash	240,534,262	(24,763,168)	265,297,430
Cash, Beginning of Year	117,219,371	141,982,539	(24,763,168)
Cash, End of Year	<u>\$ 357,753,633</u>	<u>\$ 117,219,371</u>	<u>\$ 240,534,262</u>

A detailed Statement of Cash Flows for the year ended June 30, 2021, is included in the Basic Financial Statements on pages 20 and 21 of this report.

- Net Cash used from operating activities of \$140.7 million include cash inflows from tuition and fees, and Federal and State grants and contracts. Cash outflows (uses of cash) include operating expenses of \$173.5 million for payments to Students for Financial Aid (\$22.3 million); payments to suppliers (\$27.1 million); and payments to or on behalf of employees (\$124.1 million, salaries/benefits/taxes). Net change in cash from operating activities decreased usage by \$560.8 thousand from the net of higher inflows from grants and higher outflows to suppliers.
- Noncapital financing activities of \$144.5 million decreased by \$3.2 million (or 2.2%); property tax revenue accounts for \$117.2 million (81.1%) while grants, contracts, and State apportionment/other non-operating cash account for 18.9%.

- Capital financing activities was a net inflow of \$232.9 million. Inflows were from the sale of the General Obligations series B Bond for \$283.2 million and \$17.2 million property taxes levied for the general obligation bond. Outflows were from purchase of capital assets for the facilities projects (\$41.3 million) and debt payments of the general obligation bond (\$26.4 million).
- Investing activities is from the interest earned on investments were \$3.8 million. The District's investing activities are from the San Diego County Treasury's Investment pool that earned 1.02% in FY2020-21.

## DISTRICT'S FIDUCIARY RESPONSIBILITY

The District is the trustee, or fiduciary, for certain amounts held in trust for retiree health benefits. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### Capital Asset and Long-term liabilities

#### Capital Assets

- As of June 30, 2021, the District had \$196.9 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. Net capital assets increased by \$41.5 million during fiscal year 2021.
- Capital additions and deductions of construction in progress comprise costs associated with new building and replacement/renovation of existing facilities.

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

	Balance, Beginning of Year*	Additions	Deletions	Balance, End of Year
Land and construction in progress	\$ 48,875,969	\$ 46,505,088	\$ (46,828,623)	\$ 48,552,434
Infrastructure, buildings and improvements	178,919,626	45,972,529	-	224,892,155
Furniture and equipment	23,446,145	1,114,823	(110,952)	24,450,016
Subtotal	251,241,740	93,592,440	(46,939,575)	297,894,605
Accumulated depreciation	(95,862,260)	(5,293,133)	110,952	(101,044,441)
Total	<u>\$ 155,379,480</u>	<u>\$ 88,299,307</u>	<u>\$ (46,828,623)</u>	<u>\$ 196,850,164</u>

\*Balance has been restated for implementation of GASB 84 and inclusion of capital assets that were formerly classified as fiduciary.

### Long-term liabilities

- At June 30, 2021, the District had \$346.6 million in bonds payable from the sale of the general obligation bond series A and B. The bond obligations are paid from the collection of local property taxes annually, with a final maturity date of August 1, 2042 and August 1, 2045 for series A and B, respectively, and is managed by the County treasury office.
- Compensated absences and load banking increased \$491 thousand from the prior year.
- Net OPEB liability was \$0.6 million, an increase of \$0.7 million. The District's net OPEB liability is based on actuarially determined amounts.
- Aggregate net pension liability (CalSTRS and CalPERS) was \$142.3 million, an increase of \$9.7 million. The District's long-term proportionate share of contributions to the pension plans are relative to the projected contributions from all participating college districts and the State actuarial determined rates.

Note 7, Note 8 and Note 10 in the financial statements provides additional information on long-term liabilities. A summary of long-term liabilities other than OPEB and pensions is presented below:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	\$ 78,625,971	\$ 283,189,209	\$ (15,174,416)	\$ 346,640,764
Other liabilities	4,287,892	491,350	-	4,779,242
 Total long-term liabilities	 <u>\$ 82,913,863</u>	 <u>\$ 283,680,559</u>	 <u>\$ (15,174,416)</u>	 <u>\$ 351,420,006</u>
 Amount due within one year				 <u>\$ 15,051,370</u>

## **ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE**

The District's economic condition is directly affected by the economic wellbeing of the state of California. The California Community Colleges Chancellor's Office, the California Department of Finance, and the City of San Diego's economic outlook from fiscal year 2023-2027 from the November 2021 shows a slight decline for the next five years' growth rate for the three scenarios:

### **Fiscal Year 2023-2027 Five-Year Financial Outlook**

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<b>Table 2.3 - Property Tax Five-Year Forecast: Growth Rate Scenarios</b>					
	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
Current Growth Rate	5.75%	5.75%	5.50%	5.25%	5.00%
High Growth Rate	6.75%	6.75%	6.50%	6.25%	6.00%
Low Growth Rate	3.75%	3.75%	3.50%	3.25%	3.00%

The November 2021 outlook of the property tax growth rate is a preliminary view of the property tax rate growth for FY 2022-23 with a range from 3.75% to 6.75%. The District will receive the preliminary District property assess valuation memo in June 2022 and the final memo in July 2022. The COVID-19 pandemic has affected many students financially, which has impacted enrollment to all community colleges. 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 Assistant Superintendent/Vice President of Administrative Services, Tim Flood, at MiraCosta Community College District, One Barnard Drive, Oceanside, CA 92056-3899.

## MiraCosta Community College District

## Statement of Net Position

June 30, 2021

<b>Assets</b>	
Cash and cash equivalents	\$ 2,871,615
Investments	354,882,018
Accounts receivable	12,466,927
Student receivables	3,352,283
Prepaid expenses	793,387
Capital assets	
Nondepreciable capital assets	48,552,434
Depreciable capital assets, net of depreciation	148,297,730
Total capital assets	196,850,164
Total assets	571,216,394
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources related to OPEB	1,432,143
Deferred outflows of resources related to pensions	31,091,007
Total deferred outflows of resources	32,523,150
<b>Liabilities</b>	
Accounts payable	14,544,095
Accrued interest payable	5,305,834
Unearned revenue	12,653,217
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	15,051,370
Long-term liabilities other than OPEB and pensions, due in more than one year	336,368,636
Net other postemployment benefits (OPEB) liability	638,324
Aggregate net pension liability	142,343,917
Total liabilities	526,905,393
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources related to OPEB	1,776,804
Deferred inflows of resources related to pensions	4,996,424
Total deferred inflows of resources	6,773,228
<b>Net Position</b>	
Net investment in capital assets	98,293,075
Restricted for	
Debt service	30,185,160
Capital projects	23,781,155
Educational programs	2,754,794
Other activities	1,156,660
Unrestricted deficit	(86,109,921)
Total Net Position	\$ 70,060,923

MiraCosta Community College District  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2021

Operating Revenues	
Tuition and fees	\$ 15,059,855
Less: Scholarship discounts and allowances	(6,010,821)
Net tuition and fees	<u>9,049,034</u>
Grants and contracts, noncapital	
Federal	10,961,841
State	18,133,578
Local	46,711
Total grants and contracts, noncapital	<u>29,142,130</u>
Auxiliary enterprise sales and charges	
Bookstore	84,311
Cafeteria	1,092
Total auxiliary enterprise sales and charges	<u>85,403</u>
Other operating revenues	<u>3,465</u>
Total operating revenues	<u>38,280,032</u>
Operating Expenses	
Salaries	89,338,105
Employee benefits	47,303,212
Supplies, materials, and other operating expenses and services	15,194,930
Student financial aid	22,267,892
Equipment, maintenance, and repairs	10,809,568
Depreciation	5,293,133
Total operating expenses	<u>190,206,840</u>
Operating Loss	<u>(151,926,808)</u>
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	2,193,803
Local property taxes, levied for general purposes	117,239,699
Taxes levied for other specific purposes	17,236,491
Federal and state financial aid grants	21,383,401
State taxes and other revenues	3,524,294
Investment income	3,948,468
Interest expense on capital related debt	(15,366,866)
Investment income on capital asset-related debt, net	147,587
Other nonoperating revenue	921,863
Total nonoperating revenues (expenses)	<u>151,228,740</u>
Change In Net Position	(698,068)
Net Position, Beginning of Year, as Restated	<u>70,758,991</u>
Net Position, End of Year	<u>\$ 70,060,923</u>

## MiraCosta Community College District

## Statement of Cash Flows

Year Ended June 30, 2021

Cash Flows from Operating Activities	
Tuition and fees	\$ 8,081,352
Federal, state, and local grants and contracts, noncapital	24,599,620
Auxiliary sales and other operating	88,869
Payments to or on behalf of employees	(124,119,735)
Payments to vendors for supplies and services	(27,103,264)
Payments to students for scholarships and grants	(22,267,892)
	<u>                    </u>
Net cash flows from operating activities	<u>(140,721,050)</u>
Cash Flows from Noncapital Financing Activities	
State apportionments	1,504,990
Federal and state financial aid grants	21,383,401
Property taxes - nondebt related	117,239,699
State taxes and other apportionments	3,866,497
Other nonoperating	547,132
	<u>                    </u>
Net cash flows from noncapital financing activities	<u>144,541,719</u>
Cash Flows from Capital Financing Activities	
Purchase of capital assets	(41,257,147)
Proceeds from sale of capital debt	283,189,209
Property taxes - related to capital debt	17,236,491
Principal paid on capital debt	(13,715,000)
Interest paid on capital debt	(12,723,052)
Interest received on capital asset-related debt	147,587
	<u>                    </u>
Net cash flows from capital financing activities	<u>232,878,088</u>
Cash Flows from Investing Activities	
Purchase of investments	<u>3,835,505</u>
Change In Cash and Cash Equivalents	240,534,262
Cash and Cash Equivalents, Beginning of Year, as Restated	<u>117,219,371</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 357,753,633</u></u>

## MiraCosta Community College District

## Statement of Cash Flows

Year Ended June 30, 2021

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	\$ (151,926,808)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	5,293,133
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable	(7,025,380)
Student receivables	(86,929)
Prepaid expenses	(366,103)
Aggregate net OPEB asset	51,654
Deferred outflows of resources related to OPEB	(230,040)
Deferred outflows of resources related to pensions	3,195,655
Accounts payable	858,527
Unearned revenue	1,602,120
Compensated absences	315,521
Load banking	175,829
Aggregate net OPEB liability	638,324
Aggregate net pension liability	9,717,786
Deferred inflows of resources related to OPEB	(163,967)
Deferred inflows of resources related to pensions	(2,770,372)
Total adjustments	11,205,758
Net cash flows from operating activities	\$ (140,721,050)
Cash and Cash Equivalents Consist of the Following:	
Cash on hand and in banks	\$ 2,871,615
Cash in county treasury	354,882,018
Total cash and cash equivalents	\$ 357,753,633
Noncash Transactions	
Amortization of debt premiums	\$ 1,459,416



MiraCosta Community College District

Fiduciary Funds

Statement of Net Position

June 30, 2021

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	Retiree OPEB Trust
	<hr/>
Assets	
Investments	\$ 33,571,048
	<hr/>
Net Position	
Restricted for postemployment benefits other than pensions	\$ 33,571,048
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MiraCosta Community College District  
Statement of Changes in Net Position  
Year Ended June 30, 2021

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	Retiree OPEB Trust
	<u>                    </u>
Additions	
District contributions	\$ 1,053,941
Interest and investment income, net of fees	<u>5,680,426</u>
Total additions	<u>6,734,367</u>
Deductions	
Benefit payments	1,053,941
Administrative expenses	<u>40,091</u>
Total deductions	<u>1,094,032</u>
Change in Net Position	5,640,335
Net Position - Beginning of Year, as Restated	<u>27,930,713</u>
Net Position - End of Year	<u><u>\$ 33,571,048</u></u>

**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, special revenue funds and capital project funds, but these budgets are managed at the department level. Currently, 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 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 generally accepted accounting policies. 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, 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.

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****Basis of Accounting**

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive government-wide perspective of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities are excluded from the primary government financial statements. 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 promulgated 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.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance, low income student counts, and student success metrics. Revenue from Federal and State grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with the County treasury for purposes of the Statement of Cash Flows.

### **Investments**

Investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value, including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

The District's investment in the County treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool is not required to be categorized within the fair value hierarchy.

### **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 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.

### **Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

**Capital Assets and Depreciation**

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, building and land 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 acquisition 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 capitalized 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.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2021.

**Compensated Absences and Load Banking**

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 members who retire after January 1, 1999. At retirement, each member will receive 0.004 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.

**Debt Premiums**

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. All other bond issuance costs are expensed when incurred.

**Deferred Outflows of Resources and Deferred 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 until then. The District reports deferred outflows of resources for OPEB and pension related items. The deferred amounts related to OPEB and pension related items are associated with differences between expected and actual earnings on plan investments, changes of assumptions, and other OPEB and pension related changes.

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 OPEB and pension related items.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability (asset), 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. Payments related to the net OPEB liability (asset) are made by the fund for which the employee worked.

**Pensions**

For purposes of measuring the net pension liability, 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. The aggregate net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

**Unearned Revenue**

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue is primarily composed of (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 and load banking with maturities greater than one year.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the 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 net position is available. The government-wide financial statements report \$57,877,769 of restricted net position and the fiduciary funds financial statements report \$33,571,048 of restricted net position.

**Operating and Nonoperating 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. Classifications are as follows:

- **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions such as tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.
- **Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income and other revenue sources defined by GASB.



**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.

### **Scholarship Discounts and Allowances**

Tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the California Community College Board of Governors are included within the scholarship 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.

**Financial Assistance Programs**

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG) and Work-Study and Direct Student Loan programs, as well as other programs funded by the Federal government and State of California. Financial aid provided 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, and those difference could be material.

**Interfund Activity**

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 primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

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 primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances transferred between the primary government and the fiduciary funds are not eliminated in the consolidation process.

**Change in Accounting Principles**

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's other trust and agency funds from fiduciary to governmental. The effect of the implementation of this standard on beginning net position is disclosed in Note 13.

**New Accounting Pronouncements**

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 for this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

**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** - 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 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

### 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, 2021, consist of the following:

	Primary Government	Fiduciary Funds
Cash on hand and in banks	\$ 2,796,615	\$ -
Cash in revolving	75,000	-
Investments	354,882,018	33,571,048
Total deposits and investments	<u>\$ 357,753,633</u>	<u>\$ 33,571,048</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.

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

Investment Type	Fair Value	Weighted Average Days to Maturity	Credit Rating
Master Trust	\$ 33,571,048	N/A	Not rated
San Diego County investment pool	<u>354,882,018</u>	613	AAAf/S1
Total	<u>\$ 388,453,066</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, nor has it been rated as of June 30, 2021. The San Diego County Investment pool was rated AAAf/S1 by Fitch Ratings, Inc.

**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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District's bank balance totaled \$2,969,694 of which \$2,570,772 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.

**Investments**

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2021, the District's investment balance of approximately \$33.6 million was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

**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.

The District's fair value measurements are as follows at June 30, 2021:

Investment Type	Fair Value	Fair Value Measurements Using Level 3 Inputs
Master Trust	\$ 33,571,048	\$ 33,571,048

All assets have been valued using a market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

The following table summarizes the District's Level 3 reconciliation as of June 30, 2021:

	Level 3 Inputs
Investments at Fair Value	
Balance at July 1, 2020	\$ 27,930,713
Interest and investment income	614,389
Net realized and unrealized gain	5,066,037
Administrative expenses	(40,091)
Balance at June 30, 2021	\$ 33,571,048

**Note 5 - Accounts Receivable**

Accounts receivable as of June 30, 2021 consisted of the following:

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 5,499,315
State Government	
Apportionment	688,813
Categorical aid	4,264,281
Lottery	696,159
Local Sources	
Interest	567,524
Other local sources	<u>750,835</u>
Total	<u><u>\$ 12,466,927</u></u>
Student receivables	<u><u>\$ 3,352,283</u></u>



**Note 6 - Capital Assets**

Capital asset activity for the District for the year ended June 30, 2021, was as follows:

	Balance, Beginning of Year, as restated	Additions	Deductions	Balance, End of Year
Capital Assets Not Being Depreciated				
Land	\$ 5,366,281	\$ -	\$ -	\$ 5,366,281
Construction in progress	43,509,688	46,505,088	(46,828,623)	43,186,153
Total capital assets not being depreciated	48,875,969	46,505,088	(46,828,623)	48,552,434
Capital Assets Being Depreciated				
Infrastructure	8,234,295	-	-	8,234,295
Buildings and improvements	170,685,331	45,972,529	-	216,657,860
Furniture and equipment	23,446,145	1,114,823	(110,952)	24,450,016
Total capital assets being depreciated	202,365,771	47,087,352	(110,952)	249,342,171
Total capital assets	251,241,740	93,592,440	(46,939,575)	297,894,605
Less Accumulated Depreciation				
Infrastructure	(5,661,967)	(189,127)	-	(5,851,094)
Buildings and improvements	(73,352,935)	(3,024,937)	-	(76,377,872)
Furniture and equipment	(16,847,358)	(2,079,069)	110,952	(18,815,475)
Total accumulated depreciation	(95,862,260)	(5,293,133)	110,952	(101,044,441)
Net capital assets	<u>\$ 155,379,480</u>	<u>\$ 88,299,307</u>	<u>\$ (46,828,623)</u>	<u>\$ 196,850,164</u>

**Note 7 - Long-Term Liabilities other than OPEB and Pensions**

**Summary**

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2021 consisted of the following:

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Due in One Year
General obligation bonds	\$ 71,270,000	\$ 255,000,000	\$ (13,715,000)	\$ 312,555,000	\$ 14,885,000
Bond premium	7,355,971	28,189,209	(1,459,416)	34,085,764	-
Compensated absences	2,890,666	315,521	-	3,206,187	159,525
Load banking	1,397,226	175,829	-	1,573,055	6,845
Total	<u>\$ 82,913,863</u>	<u>\$ 283,680,559</u>	<u>\$ (15,174,416)</u>	<u>\$ 351,420,006</u>	<u>\$ 15,051,370</u>

**Description of Long-Term Liabilities**

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The compensated absences and load banking liability will be paid by the fund for which the employee worked.

**Debt Maturity****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%. 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, 2021, the principal balance outstanding was \$57,555,000 and unamortized premium on issuance of \$7,024,123, respectively.

In September 2020, the District issued the Election of 2016 General Obligation Bonds, Series B in the amount of \$255,000,000. The bonds have a final maturity which occurs on August 1, 2045, with interest rates from 0.15% to 4.00%. 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 and pay the cost of issuing the bonds. At June 30, 2021, the principal balance outstanding was \$255,000,000 and unamortized premium on issuance of \$27,061,641, respectively.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Redeemed	Bonds Outstanding End of Year
9/12/17	8/1/42	3.00% - 5.00%	\$ 100,000,000	\$ 71,270,000	\$ -	\$ (13,715,000)	\$ 57,555,000
9/8/20	8/1/45	0.15% - 4.00%	255,000,000	-	255,000,000	-	255,000,000
				<u>\$ 71,270,000</u>	<u>\$ 255,000,000</u>	<u>\$ (13,715,000)</u>	<u>\$ 312,555,000</u>

**Debt Service Requirements to Maturity**

The general obligation bonds mature through 2046 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2022	\$ 14,885,000	\$ 12,365,250	\$ 27,250,250
2023	15,850,000	11,598,750	27,448,750
2024	16,515,000	10,789,625	27,304,625
2025	2,825,000	10,306,125	13,131,125
2026	3,435,000	10,149,625	13,584,625
2027-2031	28,070,000	47,204,750	75,274,750
2032-2036	51,020,000	38,385,025	89,405,025
2037-2041	80,475,000	25,581,675	106,056,675
2042-2046	99,480,000	7,954,525	107,434,525
Total	<u>\$ 312,555,000</u>	<u>\$ 174,335,350</u>	<u>\$ 486,890,350</u>

**Note 8 - Net Other Postemployment Benefits (OPEB) Liability**

For the year ended June 30, 2021, the District reported a net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense of \$638,324, \$1,432,143, \$1,776,804, and \$295,971, respectively.

The details of the plan are as follows:

**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, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	100
Active employees	560
	<hr/>
Total	660
	<hr/> <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.

**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. As of the June 30, 2021, the annual maximum is based on the medical, dental, and vision plan elected by the retiree (\$28,622 for the PPO and \$20,358 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.

For academic administrators, once a retiree reaches age 75, the retiree shall be eligible for \$5,000 per calendar year for the retiree's lifetime. This benefit is for the retiree only, and does not include the spouse/domestic partner or any other dependents of the retiree.

**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 the measurement period of June 30, 2020, the District contributed \$1,068,442 in benefits. 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, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Global Equities	9%
Domestic Equities	39%
US Fixed Income	41%
Commodities	3%
Inflation Assets	8%

**Rate of Return**

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 20.19%. 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 \$638,324 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The components of the net OPEB liability of the District at June 30, 2020, were as follows:

Total OPEB liability	\$ 28,569,037
Plan fiduciary net position	<u>(27,930,713)</u>
Net OPEB liability	<u>\$ 638,324</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>97.77%</u>

### Actuarial Assumptions

The total OPEB liability as of June 30, 2021 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total OPEB liability to June 30, 2020. The following assumptions were 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
Investment rate of return	6.00 percent
Healthcare cost trend rates (HMO)	5.00 percent
Healthcare cost trend rates (PPO)	5.50 percent
Healthcare cost trend rates (Dental and Vision)	4.00 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.

General: SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2020. Teachers: SOA Pub-2010 Teachers Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2020. Surviving Spouses: SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2020.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study for the period July 1, 2018 to June 30, 2019.

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, 2020, (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%
US Fixed Income	2.25%
Commodities	1.75%
Inflation Assets	1.50%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.00%. 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 (Asset) Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balance, June 30, 2019	\$ 26,714,849	\$ 26,766,503	\$ (51,654)
Service cost	1,534,833	-	1,534,833
Interest	1,667,935	-	1,667,935
Difference between expected and actual experience	(280,138)	-	(280,138)
Contributions - employer	-	1,068,442	(1,068,442)
Expected investment income	-	1,202,327	(1,202,327)
Benefit payments	(1,068,442)	(1,068,442)	-
Administrative expense	-	(38,117)	38,117
Net change in total OPEB liability	1,854,188	1,164,210	689,978
Balance, June 30, 2020	\$ 28,569,037	\$ 27,930,713	\$ 638,324

There were no changes in benefit terms since the previous valuation. The health care cost trend rate decreased in the current year to HMO (5.00%) and PPO (5.50%) from HMO (6.00%) and PPO (6.50%) noted in the previous year.

**Sensitivity of the Net OPEB (Asset) Liability to Changes in the Discount Rate**

The following presents the net OPEB (asset) liability of the District, as well as what the District's net OPEB (asset) 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 OPEB (Asset) Liability
1% decrease (5.00%)	\$ 3,004,323
Current discount rate (6.00%)	638,324
1% increase (7.00%)	(1,495,182)



**Sensitivity of the Net OPEB (Asset) Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB (asset) liability of the District, as well as what the District's net OPEB (asset) 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:

Healthcare Cost Trend Rates	Net OPEB (Asset) Liability
1% decrease (HMO 4.00% and PPO 4.50%)	\$ (2,231,414)
Current healthcare cost trend rate (HMO 5.00% and PPO 5.50%)	638,324
1% increase (HMO 6.00% and PPO 6.50%)	3,976,692

**Deferred Outflows/Inflows of Resources Related to OPEB**

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 1,053,941	\$ -
Differences between expected and actual experience	-	1,776,804
Changes of assumptions	114,566	-
Net difference between projected and actual earnings on OPEB plan investments	263,636	-
Total	<u>\$ 1,432,143</u>	<u>\$ 1,776,804</u>

The deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB 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 OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 24,337
2023	59,273
2024	91,672
2025	88,354
Total	<u>\$ 263,636</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (271,202)
2023	(271,204)
2024	(271,202)
2025	(271,200)
2026	(271,202)
Thereafter	(306,228)
Total	<u>\$ (1,662,238)</u>

## **Note 9 - Risk Management**

### **Property and Liability Insurance Coverages**

The District is exposed to various risks of loss related to torts; theft, damage, 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, 2021, 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.

Insurance Program / Company Name	Type of Coverage	Limits
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

**Note 10 - 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 the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2021, the District reported its proportionate share of the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 71,970,646	\$ 17,487,985	\$ 4,996,424	\$ 9,163,658
CalPERS	70,373,271	13,603,022	-	14,938,354
Total	<u>\$ 142,343,917</u>	<u>\$ 31,091,007</u>	<u>\$ 4,996,424</u>	<u>\$ 24,102,012</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, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that may be found on the CalSTRS website under Publications at: <http://www.calstrs.com/memberpublications>.

#### **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% 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 non-employer contributing entity to the STRP.

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

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP	
	On or before <u>December 31, 2012</u>	On or after <u>January 1, 2013</u>
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%	10.205%
Required employer contribution rate	16.15%	16.15%
Required State contribution rate	10.328%	10.328%

### Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and are 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 California Assembly Bill 1469, employer contributions into CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the District's total contributions were \$6,695,837.

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

At June 30, 2021, 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	\$ 71,970,646
State's proportionate share of net pension liability associated with the District	<u>37,100,877</u>
Total	<u>\$ 109,071,523</u>

The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, was 0.0743% and 0.0756%, respectively, resulting in a net decrease in the proportionate share of 0.0013%.

For the year ended June 30, 2021, the District recognized pension expense of \$9,163,658. In addition, the District recognized pension expense and revenue of \$5,197,469 for support provided by the State. At June 30, 2021, 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	\$ 6,695,837	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,937,388	2,966,729
Differences between projected and actual earnings on pension plan investments	1,709,608	-
Differences between expected and actual experience in the measurement of the total pension liability	126,995	2,029,695
Changes of assumptions	<u>7,018,157</u>	<u>-</u>
Total	<u>\$ 17,487,985</u>	<u>\$ 4,996,424</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
2022	\$ (1,043,192)
2023	582,495
2024	1,162,142
2025	<u>1,008,163</u>
Total	<u>\$ 1,709,608</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, 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
2022	\$ 1,338,736
2023	1,146,069
2024	1,978,636
2025	(125,972)
2026	(63,274)
Thereafter	(188,079)
Total	<u>\$ 4,086,116</u>

#### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

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 January 2020 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, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42.0%	4.8%
Private equity	13.0%	6.3%
Real estate	15.0%	3.6%
Inflation sensitive	6.0%	3.3%
Fixed income	12.0%	1.3%
Risk mitigating strategies	10.0%	1.8%
Cash/liquidity	2.0%	-0.4%

### Discount Rate

The discount rate used to measure the total pension liability was 7.10%. 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%) 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%)	\$ 108,737,622
Current discount rate (7.10%)	71,970,646
1% increase (8.10%)	41,614,331



**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, 2019, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that may 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 School Employer Pool provisions and benefits in effect at June 30, 2021, are summarized as follows:

	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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%	7.00%
Required employer contribution rate	20.70%	20.70%

## 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, 2021, are presented above, and the total District contributions were \$7,263,106.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$70,373,271. The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, was 0.2294% and 0.2209%, respectively, resulting in a net increase in the proportionate share of 0.0085%.

For the year ended June 30, 2021, the District recognized pension expense of \$14,938,354. At June 30, 2021, 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	\$ 7,263,106	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,126,609	-
Differences between projected and actual earnings on pension plan investments	1,464,947	-
Differences between expected and actual experience in the measurement of the total pension liability	3,490,298	-
Changes of assumptions	258,062	-
Total	<u>\$ 13,603,022</u>	<u>\$ -</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
2022	\$ (548,215)
2023	488,987
2024	849,941
2025	674,234
Total	<u>\$ 1,464,947</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and the District's proportionate share of contributions, 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 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 2,978,498
2023	1,464,167
2024	403,714
2025	28,590
Total	<u>\$ 4,874,969</u>

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of Scale MP-2016.

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:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. 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%)	\$ 101,174,410
Current discount rate (7.15%)	70,373,271
1% increase (8.15%)	44,809,871

**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% of employees' salaries, of which the employee contributes 3.75% and the District contributes the remaining 3.75%. District employees are covered under PARS-ARS as of June 30, 2021. Total District contributions to the plan amounted to \$181,667.

**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, 2021, which amounted to \$4,198,718 (10.328%) 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, 2021. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

**Deferred Compensation**

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

**Note 11 - 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, 2021, the District made payments of \$1,680,070 and \$0 to San Diego School Risk Management and Retiree Health Benefit Program, respectively.

**Note 12 - 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, 2021.

### 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, 2021.

### Construction Commitments

As of June 30, 2021, the District had approximately \$123.5 million in commitments with respect to unfinished capital projects.

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 13 - Restatement of Prior Year Net Position

The District adopted GASB Statement No. 84, *Fiduciary Activities*, in the current year. As a result, the effect on the current fiscal year is as follows:

Primary Government	
Net Position - Beginning	\$ 64,799,989
Inclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84	<u>5,959,002</u>
Net Position - Beginning, as Restated	<u><u>\$ 70,758,991</u></u>
Fiduciary Funds	
Net Position - Beginning	\$ 33,533,036
Exclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84	<u>(5,602,323)</u>
Net Position - Beginning, as Restated	<u><u>\$ 27,930,713</u></u>

Certain reclassifications of amounts previously reported have been made to the Management Discussion and Analysis and the Statement of Cash Flows to maintain consistency between periods presented.



Required Supplementary Information  
June 30, 2021

## MiraCosta Community College District



**MiraCosta Community College District**  
**Schedule of Changes in the District's Net OPEB (Asset) Liability and Related Ratios**  
**Year Ended June 30, 2021**

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 1,534,833	\$1,262,891	\$1,427,733	\$1,263,552
Interest	1,667,935	1,660,653	1,551,737	1,444,923
Difference between expected and actual experience	(280,138)	(2,042,243)	-	-
Changes of assumptions	-	152,756	-	-
Benefit payments	(1,068,442)	(1,134,264)	(1,120,946)	(984,894)
Net change in total OPEB liability	1,854,188	(100,207)	1,858,524	1,723,581
Total OPEB Liability - Beginning	26,714,849	26,815,056	24,956,532	23,232,951
Total OPEB Liability - Ending (a)	<u>\$ 28,569,037</u>	<u>\$ 26,714,849</u>	<u>\$ 26,815,056</u>	<u>\$ 24,956,532</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 1,068,442	\$1,134,264	\$3,020,946	\$984,894
Expected investment income	1,202,327	1,519,696	1,566,845	1,881,364
Benefit payments	(1,068,442)	(1,134,264)	(1,120,946)	(984,894)
Administrative expense	(38,117)	(20,252)	(37,580)	(32,857)
Net change in plan fiduciary net position	1,164,210	1,499,444	3,429,265	1,848,507
Plan Fiduciary Net Position - Beginning	26,766,503	25,267,059	21,837,794	19,989,287
Plan Fiduciary Net Position - Ending (b)	<u>\$ 27,930,713</u>	<u>\$ 26,766,503</u>	<u>\$ 25,267,059</u>	<u>\$ 21,837,794</u>
Net OPEB (Asset) Liability - Ending (a) - (b)	<u>\$ 638,324</u>	<u>\$ (51,654)</u>	<u>\$ 1,547,997</u>	<u>\$ 3,118,738</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset) Liability	97.77%	100.19%	94.23%	87.50%
Covered Employee Payroll	<u>\$ 59,279,737</u>	<u>\$57,553,143</u>	<u>\$51,344,000</u>	<u>\$51,344,000</u>
Net OPEB (Asset) Liability as a Percentage of Covered Employee Payroll	1.08%	-0.09%	3.01%	6.07%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

MiraCosta Community College District  
Schedule of District Contributions for OPEB  
Year Ended June 30, 2021

	2021	2020	2019	2018
Actuarially determined contribution	\$ 1,833,269	\$1,779,717	\$1,963,976	\$1,916,126
Contribution in relation to the actuarially determined contribution	1,217,605	1,467,741	3,097,943	1,140,898
Contribution deficiency (excess)	\$ 615,664	\$ 311,976	\$ (1,133,967)	\$ 775,228
Covered payroll	\$ 59,279,737	\$57,553,143	\$51,344,000	\$51,344,000
Contributions as a percentage of covered payroll	2.05%	2.55%	6.03%	2.22%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

MiraCosta Community College District  
Schedule of OPEB Investment Returns  
Year Ended June 30, 2021

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	<u>20.19%</u>	<u>5.93%</u>	<u>6.94%</u>	<u>9.25%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

**MiraCosta Community College District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Year Ended June 30, 2021**

	2021	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>							
Proportion of the net pension liability	0.0743%	0.0756%	0.0728%	0.0733%	0.0738%	0.0805%	0.0773%
Proportionate share of the net pension liability	\$ 71,970,646	\$68,234,379	\$66,908,810	\$67,755,640	\$59,693,011	\$54,179,992	\$45,153,292
State's proportionate share of the net pension liability associated with the District	37,100,877	37,226,409	38,308,423	40,083,664	33,982,167	28,655,243	27,265,507
Total	<u>\$ 109,071,523</u>	<u>\$ 105,460,788</u>	<u>\$ 105,217,233</u>	<u>\$ 107,839,304</u>	<u>\$ 93,675,178</u>	<u>\$ 82,835,235</u>	<u>\$ 72,418,799</u>
Covered payroll	\$ 40,888,749	\$40,510,362	\$38,108,247	\$37,091,558	\$38,363,029	\$40,019,043	\$32,035,059
Proportionate share of the net pension liability as a percentage of its covered payroll	176.02%	168.44%	175.58%	182.67%	155.60%	135.39%	140.95%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>							
Proportion of the net pension liability	0.2294%	0.2209%	0.2137%	0.2096%	0.2097%	0.2074%	0.2105%
Proportionate share of the net pension liability	\$ 70,373,271	\$64,391,752	\$56,967,872	\$50,030,808	\$41,421,964	\$30,577,734	\$23,899,791
Covered payroll	\$ 33,178,292	\$30,701,207	\$28,131,814	\$26,795,363	\$25,072,913	\$22,897,417	\$22,210,989
Proportionate share of the net pension liability as a percentage of its covered payroll	212.11%	209.74%	202.50%	186.71%	165.21%	133.54%	107.60%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

MiraCosta Community College District  
Schedule of the District Contributions for Pensions  
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>							
Contractually required contribution	\$ 6,695,837	\$6,991,976	\$6,595,087	\$5,499,020	\$4,666,118	\$4,116,353	\$3,553,691
Contributions in relation to the contractually required contribution	6,695,837	6,991,976	6,595,087	5,499,020	4,666,118	4,116,353	3,553,691
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 41,460,291	\$ 40,888,749	\$ 40,510,362	\$ 38,108,247	\$ 37,091,558	\$ 38,363,029	\$ 40,019,043
Contributions as a percentage of covered payroll	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
<b>CalPERS</b>							
Contractually required contribution	\$ 7,263,106	\$6,543,091	\$5,545,252	\$4,369,152	\$3,721,340	\$2,970,388	\$2,695,255
Contributions in relation to the contractually required contribution	7,263,106	6,543,091	5,545,252	4,369,152	3,721,340	2,970,388	2,695,255
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 35,087,469	\$ 33,178,292	\$ 30,701,207	\$ 28,131,814	\$ 26,795,363	\$ 25,072,913	\$ 22,897,417
Contributions as a percentage of covered payroll	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

## Note 1 - Purpose of Schedules

### Schedule of Changes in the District's Net OPEB (Asset) Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB (asset) liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB (asset) 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* - The health care cost trend rate decreased in the current year to HMO (5.00%) and PPO (5.50%) from HMO (6.00%) and PPO (6.50%) noted in the previous year.

### 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 June 30, 2021, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset valuation method	Market value of assets
Inflation	2.75% per year
Health care cost trend rates	6.00% in 2021 grading down to 5.00% by 2023
Salary increases	3.00%, per year
Investment rate of return	6.0%, net of OPEB plan investment expense, including inflation
Retirement age	Based on the most recent CalPERS actuarial valuation
Mortality	SOA Pub-2010 Headcount Weighted Mortality Tables fully generational using Scale MP-2019

#### **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.

#### **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 either CalSTRS or CalPERS.
- *Changes in Assumptions* - There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

#### **Schedule of the 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  
June 30, 2021

## MiraCosta Community College District



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.

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**Board of Trustees as of June 30, 2021**


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Member	Office	Term Expires
Mr. Rick Cassar	President	2022
Ms. Anna Pedroza	Vice President	2022
Dr. David Broad	Member	2022
Dr. William C. Fischer	Member	2022
Mr. Frank Merchat	Member	2024
Mr. George McNeil	Member	2024
Ms. Jacquelin Simon	Member	2024

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**Administration as of June 30, 2021**


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Dr. Sunita Cooke	Superintendent/President
Mr. Tim Flood	Vice President, Administrative Services
Dr. Diane Dieckmeyer	Vice President, Instructional Services
Dr. Alketa Wojcik	Vice President, Student Services
Mr. Charlie Ng	Vice President, Human Resources

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**Auxiliary Organizations in Good Standing**


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MiraCosta Foundation, established 1967  
Master Agreement revised November 19, 2020  
Vacant, Vice President of Institutional Advancement

MiraCosta Community College District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed through to Subrecipients
U.S. Department of Education				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063		\$ 12,991,333	\$ -
Federal Pell Grant Program				
Administrative Allowance	84.063		19,935	-
Federal Direct Student Loans	84.268		1,769,329	-
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		595,422	-
Federal Work-Study (FWS) Program	84.033		204,222	-
FWS Program Administrative Allowance	84.033		44,380	-
Subtotal Student Financial Assistance Cluster			15,624,621	-
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334A		1,871,177	-
Passed through California Department of Education (CDE)				
Adult Basic Education and ELA (Section 231)	84.002A	14508	255,004	-
Adult Secondary Education (Section 231)	84.002	13978	166,442	-
Subtotal			421,446	-
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		1,032,931	-
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		5,172,343	-
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L		815,583	-
Subtotal			7,020,857	-
Passed through California Community Colleges Chancellor's Office				
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	20-C01-050	360,121	-
Total U.S. Department of Education			25,298,222	-
U.S. Department of Labor				
America's Promise Job Driven Grant Program	17.268		1,228,636	358,828

MiraCosta Community College District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed through to Subrecipients
Small Business Administration				
Veterans Business Outreach Center (VBOC) Program Grant	59.044		\$ 474,016	\$ -
Passed through Southwestern Community College District North San Diego Small Business Development Center Program	59.037	9042.2	286,629	-
COVID-19 Assistance (SBA-CAREs) - SBDC	59.037	[1]	136,838	-
Subtotal			423,467	-
Total Small Business Administration			897,483	-
U.S. Department of the Treasury				
Passed through California Community Colleges Chancellor's Office COVID-19: Coronavirus Relief Fund	21.019	[1]	499,965	-
Research and Development Cluster				
U.S. Department of Health and Human Services Passed through California State University San Marcos Corp. Biomedical Research and Research Training CSUSM Bridges to Baccalaureate	93.859	85117MC2019	14,812	-
Subtotal Research and Development Cluster			14,812	-
Passed through Yosemite Community College District Child Care and Development Fund (CCDF) Cluster Child Development Training Consortium	93.575	20-21-4096	25,300	-
Passed through YMCA of San Diego County Childcare Resource Service COVID-19: San Diego County Child Care Provider Grant	93.575	[1]	4,990	-
Subtotal CCDF Cluster			30,290	-
Passed through California Community Colleges Chancellor's Office Temporary Assistance for Needy Families (TANF)	93.558	[1]	57,545	-
Total U.S. Department of Health and Human Services			102,647	-
Total Federal Financial Assistance			\$ 28,026,953	\$ 358,828

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

See Notes to Supplementary Information

MiraCosta Community College District  
Schedule of Expenditures of State Awards  
Year Ended June 30, 2021

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
2021 Immediate Action Budget - Student Retention and Enrollment	\$ 166,635	\$ -	\$ 166,635	\$ -	\$ -
61 Veteran Program and Resource Center	478,931	-	439,930	39,001	39,001
Adult Education Program (AEP)	1,905,433	-	502,345	1,403,088	1,403,088
CalFresh Outreach	36,730	-	36,730	-	-
Calgrant	1,792,777	-	1,650	1,791,127	1,791,127
California College Promise AB19	2,220,080	-	891,811	1,328,269	1,328,269
California Learning Lab	-	62,869	-	62,869	62,869
Caltrans	319	-	319	-	-
CalWORKs	356,225	-	74,382	281,843	281,843
CARE	142,799	-	40,120	102,679	102,679
Center for Excellence	220,000	55,000	-	275,000	275,000
COVID-19 Response Block Grant	613,714	-	570,533	43,181	43,181
Deputy Sector Navigator LifeSci/BioTech	263,336	-	48,357	214,979	214,979
Disabled Students Program and Services	962,436	-	-	962,436	962,436
Disaster Relief Emergency Student Financial Aid	96,330	-	8,330	88,000	88,000
Dreamer Resource Center Liaison Exp 6/30/2022	52,326	-	52,326	-	-
Early Action Emergency Financial Aid (SB 85)	902,340	-	902,340	-	-
Equal Employment Opportunity	84,909	-	38,889	46,020	46,020
Extended Opportunity Program and Services	888,126	-	-	888,126	888,126
Financial Aid Technology	168,579	-	47,082	121,497	121,497
Go Biz TAEP2019-C17	19,162	59,355	-	78,517	78,517
Go-Biz Cascade Solano CCD	12,695	-	-	12,695	12,695
Go-Biz Grant	19,669	55,159	-	74,828	74,828
Go-Biz TAP2018-C12	56,071	-	-	56,071	56,071
Guided Pathways	302,359	-	144,653	157,706	157,706
Hunger Free Campus	60,328	-	11,750	48,578	48,578
Improving Online CTE Pathways	16,573	-	-	16,573	16,573
Lottery (Restricted)	391,470	356,492	-	747,962	747,962

MiraCosta Community College District

Schedule of Expenditures of State Awards

Year Ended June 30, 2021

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
Mental Health Support	\$ 37,501	\$ -	\$ -	\$ 37,501	\$ 37,501
Nursing Education	243,678	-	-	243,678	243,678
PPIS Instructional	6,056	-	-	6,056	6,056
Regional Director (f.k.a.DSN) Business & Entrepreneurship	263,297	-	42,600	220,697	220,697
Staff Development	56,888	-	56,888	-	-
Student Equity and Achievement	274,528	944,679	411,169	808,038	808,038
Student Equity and Achievement (Basic Skills) FY20	217,068	-	-	217,068	217,068
Student Equity and Achievement (Basic Skills) FY21	27,526	279,280	273,873	32,933	32,933
Student Equity and Achievement (Credit)	253,465	2,303,217	266,735	2,289,947	2,289,947
Student Equity and Achievement (Non-credit)	188,060	221,550	166,051	243,559	243,559
Student Financial Aid Admin	421,987	-	197,833	224,154	224,154
Student Success Completion	1,218,624	-	107,731	1,110,893	1,110,893
SWP Local Program FY2019-20 & Prior Exp 12/31/2021	1,649,304	-	769,056	880,248	880,248
SWP Local Program FY2020-21 Exp 6/30/2022	1,155,463	-	1,137,463	18,000	18,000
SWP Pathways Navigation	107,778	-	33,084	74,694	74,694
SWP Regional – Internal Marketing	42,555	-	-	42,555	42,555
SWP Regional Acceleration Project	65,496	-	-	65,496	65,496
SWP Regional Business & Entrepreneurship Sector Strategies Exp 12/31/2021	50,277	-	24,951	25,326	25,326
SWP Regional College-Based Marketing Exp 12/31/2021	30,000	-	19,698	10,302	10,302
SWP Regional Health Sector Strategies Exp 12/31/2021	-	25,200	10,245	14,955	14,955
SWP Regional ICT Software Development Curriculum Alignment Exp 06/30/2021	11,180	4,459	-	15,639	15,639
SWP Regional Job Placement Case Mgt	90,618	60,000	-	150,618	150,618
SWP Regional Labor Market Research	470,081	-	21,845	448,236	448,236
SWP Regional Life Sciences & Biotechnology Sector Strategies Exp 06/30/2022	-	117,717	117,717	-	-
SWP Regional Research Investment	70,899	75,796	-	146,695	146,695
SWP Work Based Learning Coord	89,585	-	142	89,443	89,443
Textbook Affordabili AB798	52,495	-	37,623	14,872	14,872
Veteran Resource Center Expansion	1,500,000	-	286,695	1,213,305	1,213,305
Total state programs	\$ 20,824,761	\$ 4,620,773	\$ 7,959,581	\$ 17,485,953	\$ 17,485,953

See Notes to Supplementary Information

MiraCosta Community College District  
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance  
Year Ended June 30, 2021

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
<b>A. Summer Intersession (Summer 2020 only)</b>			
1. Noncredit*	74.12	-	74.12
2. Credit	1,085.64	-	1,085.64
<b>B. Summer Intersession (Summer 2021 - Prior to July 1, 2021)</b>			
1. Noncredit*	-	-	-
2. Credit	-	-	-
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	24.62	-	24.62
(b) Daily Census Contact Hours	-	-	-
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	-	-	-
(b) Credit	132.17	-	132.17
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	6,306.68	-	6,306.68
(b) Daily Census Procedure Courses	1,681.98	-	1,681.98
(c) Noncredit Independent Study/Distance Education Courses	517.51	-	517.51
<b>D. Total FTES</b>	<u>9,822.72</u>	<u>-</u>	<u>9,822.72</u>
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>	-	-	-
<b>F. Basic Skills Courses and Immigrant Education</b>			
1. Noncredit*	321.20	-	321.20
2. Credit	32.40	-	32.40
<b><u>CCFS-320 Addendum</u></b>			
CDCP Noncredit FTES	-	-	-
<b>Centers FTES</b>			
1. Noncredit*	-	-	-
2. Credit	-	-	-

\*Including Career Development and College Preparation (CDCP) FTES.

MiraCosta Community College District  
Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation  
Year Ended June 30, 2021

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799			
		Object/TOP	Reported	Audit	Revised	Reported	Audit	Revised
<u>Academic Salaries</u>								
Instructional Salaries								
Contract or Regular	1100	\$ 18,025,424	\$ -	\$ 18,025,424	\$ 18,025,424	\$ -	\$ 18,025,424	
Other	1300	16,515,595	-	16,515,595	16,515,595	-	16,515,595	
Total Instructional Salaries		34,541,019	-	34,541,019	34,541,019	-	34,541,019	
Noninstructional Salaries								
Contract or Regular	1200	-	-	-	11,330,581	-	11,330,581	
Other	1400	-	-	-	1,765,941	-	1,765,941	
Total Noninstructional Salaries		-	-	-	13,096,522	-	13,096,522	
Total Academic Salaries		34,541,019	-	34,541,019	47,637,541	-	47,637,541	
<u>Classified Salaries</u>								
Noninstructional Salaries								
Regular Status	2100	-	-	-	19,340,106	-	19,340,106	
Other	2300	-	-	-	1,379,200	-	1,379,200	
Total Noninstructional Salaries		-	-	-	20,719,306	-	20,719,306	
Instructional Aides								
Regular Status	2200	3,874,083	-	3,874,083	3,874,083	-	3,874,083	
Other	2400	601,451	-	601,451	624,990	-	624,990	
Total Instructional Aides		4,475,534	-	4,475,534	4,499,073	-	4,499,073	
Total Classified Salaries		4,475,534	-	4,475,534	25,218,379	-	25,218,379	
Employee Benefits	3000	15,471,365	-	15,471,365	29,402,839	-	29,402,839	
Supplies and Material	4000	-	-	-	694,857	-	694,857	
Other Operating Expenses	5000	-	-	-	7,754,904	-	7,754,904	
Equipment Replacement	6420	-	-	-	-	-	-	
Total Expenditures Prior to Exclusions		54,487,918	-	54,487,918	110,708,520	-	110,708,520	

See Notes to Supplementary Information

MiraCosta Community College District  
Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation  
Year Ended June 30, 2021

	Object/TOP	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported	Audit	Revised	Reported	Audit	Revised
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 17,674	\$ -	\$ 17,674	\$ 17,674	\$ -	\$ 17,674
Student Health Services Above Amount Collected	6441	-	-	-	397,727	-	397,727
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	59,555	-	59,555
Objects to Exclude							
Rents and Leases	5060	-	-	-	-	-	-
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	49,698	-	49,698
Employee Benefits	3000	-	-	-	27,400	-	27,400
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		-	-	-	-	-	-



MiraCosta Community College District  
Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation  
Year Ended June 30, 2021

	Object/TOP	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported	Audit	Revised	Reported	Audit	Revised
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 1,662,048	\$ -	\$ 1,662,048
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		17,674	-	17,674	2,214,102	-	2,214,102
Total for ECS 84362, 50% Law		\$ 54,470,244	\$ -	\$ 54,470,244	\$ 108,494,418	\$ -	\$ 108,494,418
% of CEE (Instructional Salary Cost/Total CEE)		50.21%		50.21%	100.00%		100.00%
50% of Current Expense of Education					\$ 54,247,209		\$ 54,247,209

**MiraCosta Community College District**  
**Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements**  
**Year Ended June 30, 2021**

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

	<u>Cafeteria Fund</u>	<u>Student Body Center Fee Fund</u>
Fund Balance		
Balance, June 30, 2021, (CCFS-311)	\$ 139,227	\$ 144,398
Increase in		
Capital assets	-	5,115,698
Decrease in		
Capital assets	<u>(11,778)</u>	<u>-</u>
Balance, June 30, 2021, Audited	<u><u>\$ 127,449</u></u>	<u><u>\$ 5,260,096</u></u>

Differences are related to government-wide conversions for capital asset reporting in accordance with generally accepted accounting principles.

MiraCosta Community College District  
Proposition 30 Education Protection Account (EPA) Expenditure Report  
Year Ended June 30, 2021

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Activity Classification	Object Code	Unrestricted			
EPA Revenue:	8630				
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 1,014,875	\$ -	\$ -	\$ 1,014,875
Total Expenditures for EPA		\$ 1,014,875	\$ -	\$ -	\$ 1,014,875
Revenues Less Expenditures					\$ -

MiraCosta Community College District  
Reconciliation of Governmental Funds to the Statement of Net Position  
Year Ended June 30, 2021

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Amounts reported for governmental activities in the Statement of Net Position are different because

Total fund balance		
General Funds	\$ 37,843,012	
Special Revenue Funds	5,837,007	
Capital Project Funds	271,864,830	
Debt Service Funds	35,490,994	
Proprietary Funds	647,052	
Internal Service Funds	435,351	
Fiduciary Funds	<u>33,571,048</u>	
Total fund balance - all District funds		\$ 385,689,294
Amounts held in trust on behalf of others (OPEB Trust)		(33,571,048)
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	297,894,605	
Accumulated depreciation is	(101,044,441)	
Less: fixed assets already recorded in special revenue fund	<u>(5,115,698)</u>	
Total capital assets, net		191,734,466
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds.		
Deferred outflows of resources at year-end consist of:		
Deferred outflows of resources related to OPEB	1,432,143	
Deferred outflows of resources related to pensions	<u>31,091,007</u>	
Total deferred outflows of resources		32,523,150
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(5,305,834)

MiraCosta Community College District  
Reconciliation of Governmental Funds to the Statement of Net Position  
Year Ended June 30, 2021

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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

General obligation bonds	\$ (346,640,764)	
Compensated absences	(3,206,187)	
Less amounts recorded in Governmental Funds	159,525	
Load banking	(1,573,055)	
Less amounts recorded in Governmental Funds	6,845	
Net other postemployment benefits (OPEB) liability	(638,324)	
Aggregate net pension liability	<u>(142,343,917)</u>	
Total long-term liabilities		\$ (494,235,877)

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

Deferred inflows of resources amount to and related to

Deferred inflows of resources related to OPEB	(1,776,804)	
Deferred inflows of resources related to pensions	<u>(4,996,424)</u>	
Total deferred inflows of resources		<u>(6,773,228)</u>

Total net position		<u><u>\$ 70,060,923</u></u>
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## **Note 1 - Purpose of Schedules**

### **District Organization**

This schedule provides information about the District's governing board members, administration members, and auxiliary organizations in good standing.

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

#### Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2021. The information 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

#### Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

#### Donated Personal Protective Equipment (PPE) (unaudited)

Nonmonetary assistance of PPE received during the emergency period of the COVID-19 pandemic was approximately \$78 thousand and is based on the estimated fair market value of the PPE received. The donated PPE was generally provided by donors without information about compliance or reporting requirements associated with federal financial assisting listings or CFDA numbers. The donated PPE is not included in the Schedule of Expenditure of Federal Awards.

### **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 students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of State funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

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

ECS 84362 requires the District to expend a minimum of 50% 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 information about the District's EPA revenue and summarized expenditures of EPA funds.

**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  
June 30, 2021

# MiraCosta Community College District





**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Board of Trustees  
MiraCosta Community College District  
Oceanside, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*; issued by the Comptroller General of the United States, the financial statements of the business-type activities and the remaining fund information of MiraCosta Community College District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 10, 2022.

**Emphasis of Matter – Change in Accounting Principle**

As discussed in Note 2 and Note 13 to the financial statements, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of net position as of July 1, 2020. Our opinions are 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) as a basis for designing 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 financial statements. 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
February 10, 2022



## **Independent Auditor's Report on Compliance for Each Major Federal Program; 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, 2021. 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, 2021.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Eide Bailly LLP*

Rancho Cucamonga, California  
February 10, 2022



## 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 described in the *2020-2021 California Community Colleges Chancellor's Office Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

### Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

### 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 in the table below. 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 *2020-2021 California Community Colleges Chancellor's Office Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table below has 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 state compliance. However, our audit does not provide a legal determination of the District's compliance.

### **Compliance Requirements Tested**

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 411	SCFF Data Management Control Environment
Section 412	SCFF Supplemental Allocation Metrics
Section 413	SCFF Success Allocation Metrics
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
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
Section 499	COVID-19 Response Block Grant Expenditures

The District reports no Apportionment for Activities Funded From Other Sources; therefore, the compliance tests within this section were not applicable.

The District reports no Apprenticeship Related and Supplemental Instruction (RSI) Funds; therefore, the compliance tests within this section were not applicable.

The District reports no attendance for classes with To Be Arranged Hours (TBA); therefore, the compliance tests within this section were not applicable.

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

### **Unmodified Opinion**

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 in the table above that were audited for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 California Community Colleges Chancellor's Office Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California  
February 10, 2022



Schedule of Findings and Questioned Costs  
June 30, 2021

## MiraCosta Community College District



**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	Yes

**Identification of major programs**

<u>Name of Federal Program or Cluster</u>	<u>Federal Assistance Listing Number/ Federal CFDA Number</u>
Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L
America's Promise Job Driven Grant Program	17.268
Dollar threshold used to distinguish between type A and type B programs	\$840,809
Auditee qualified as low-risk auditee?	Yes

**State Compliance**

Type of auditor's report issued on compliance for state programs	Unmodified
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None reported.

The following finding represents a significant deficiency in internal control over compliance and instances of noncompliance that is required to be reported by the Uniform Guidance.

**2021-001 Reporting**

**Program Name:** COVID-19: Higher Education Emergency Relief Funds (HEERF), Student Aid Portion

**Federal Assistance Listing Number:** 84.425E

**Federal Agency:** U.S. Department of Education (ED) Direct funded  
by the U.S. Department of Education (ED)

**Criteria or Specific Requirements**

*Section 18004(a)(1)* of The Coronavirus Aid, Relief, and Economic Security Act required that institutions that received the HEERF 18004(a)(1) Student Aid Portion award to publicly post certain information on their website for each calendar quarter no later than ten days after the end of each calendar quarter.

**Condition**

*Significant Deficiency in Internal Control over Compliance* –During our testing over reporting for the student aid portion at the District, we noted that the underlying supporting documentation for the following components did not agree to what was reported on the District’s quarterly report for the quarter ended March 31, 2021.

**Questioned Costs**

None noted.

**Context**

The District has one college that was required to report student grant metrics and other data on a quarterly basis on the District’s website. Although the report was submitted timely, we noted that the underlying supporting documentation for the required key line items did not agree to the District’s report. Out of the 4 required key line items, 3 of the items were misstated on the quarterly report. The total amount of Emergency Financial Aid Grants distributed to students under CARES (a)(1) subprogram and the CRRSAA and ARP (a)(1) subprograms was understated by \$29,295. The total number of students who had received an Emergency Financial Aid grant was overstated by 31 students. In addition, the estimated total number of students at the institution who were eligible to receive an Emergency Financial Aid Grant was understated by 15,910.

**Effect**

The District did not comply with the federal reporting requirements.

**Cause**

The District did not have an adequate recordkeeping process in place.

**Repeat Finding (Yes or No)**

No.

**Recommendation**

It is recommended that the District instill adequate recordkeeping processes in addition to maintaining the support in accordance with documentation retention guidelines.

**Views of Responsible Officials and Corrective Action Plan**

Responsible Officials: Katie White, Mike Dear, and Tim Flood

Correction Action Plan:

- a) The underlying source data for the Financial Aid disbursements amounts has been changed effective 9/30/2022 to the General Financial System (Workday Financials), where the disbursement funds are processed. There is processing time between the Student Fin Aid system and the Workday Financial system.
- b) The overstatement of 31 students on the quarterly report was due to the timing from the Financial Aid System (award initiation) and the Workday Financial System, Accounting's disbursement system. The remaining award of the 31 students were disbursed on April 2<sup>nd</sup> in the Workday Financial System. We will reconcile the student count between the Financial Aid award file and disbursement file.
- c) The estimated total number of eligible students was misstated on the HEERF quarterly report at 18,953. The estimated total number eligible students should have been 28,262, the cumulative number of students from each term from Spring 2020 to Fall 2021. MiraCosta will validate the student eligible count from the dashboard Student Profile by Term and Year and retain snapshots of the dashboard's underlying source data.

None reported.

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.

## **Federal Award Findings**

### **2020-001      Special Tests and Provisions – Return to Title IV**

Program Name: Student Financial Assistance Cluster  
CFDA Numbers: 84.007, 84.003, 84.063 and 84.268  
Direct funded by the U.S. Department of Education (ED)  
Federal Agency: U.S. Department of Education (ED)

#### **Criteria or Specific Requirement**

Timing of Return of Title IV Funds – 34 CFR section 668.173(b):

Returns of Title IV funds are required to be deposited or transferred into the Student Financial Assistance (SFA) account or electronic fund transfers initialed to ED or the appropriate Federal Family Education Loan (FFEL) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date of institution determined that the student withdrew.

#### **Condition**

Significant Deficiency – The District's portion of the Return to Title IV (R2T4) funds was not returned within the 45 day requirement for two students tested.

#### **Questioned Costs**

No questioned costs as the funds were all returned to the Department of Education.

#### **Context**

The District performed 377 R2T4 calculations during the 2019-2020 fiscal year. Of the 40 records tested, two instances were noted in which the District did not return the Title IV funds within the required 45-day timeframe. One student was returned in 62 days, while the other was returned in 66 days.

#### **Cause**

The District internal controls did not operate effectively to ensure the college submitted funds in a timely manner, within the 45 day requirement.

#### **Effect**

The District did not comply with federal requirements associated with the Return to Title IV process.

#### **Repeat Finding from Prior Year:**

No.

**Recommendation**

It is recommended the District should establish effective controls to ensure the Return of Title IV funds occurs within 45 days from the date the District determines the student withdrew from all classes.

**Current Status:**

Implemented

**2020-002      Reporting**

Program Name: COVID-19: CARES Act Higher Education Emergency Relief Funds (HEERF), Student Aid Portion  
CFDA Numbers: 84.425E

Direct funded by the U.S. Department of Education (ED)

Federal Agency: U.S. Department of Education (ED)

**Criteria or Specific Requirement**

*Section 18004(a)(1)* of The Coronavirus Aid, Relief, and Economic Security Act required that institutions that received the HEERF 18004(a)(1) Student Aid Portion award to publicly post certain information on their website no later than 30 days after their award allocation date, and update that information every 45 days thereafter.

**Condition**

Significant Deficiency – During our testing over reporting for the student aid portion at the District, we noted that the report required to be publicly available 30 days following the award becoming available was late by 81 days and therefore, the District did not meet the timeliness requirement.

**Questioned Costs**

None reported.

**Context**

The District has one college that was required to report student grant metrics and other data within 30 days of their award allocation date. The report was reviewed for compliance, noting it was not submitted in a timely manner.

**Cause**

The District did not have an effective procedure in place to ensure the initial report was filed timely.

**Effect**

The District did not comply with the federal reporting requirements.

**Repeat Finding from Prior Year:**

No.

**Recommendation**

It is recommended the District should establish a procedure to ensure timeliness of reporting requirements is met.

**Current Status:**

Implemented