



Financial Statements
June 30, 2020

MiraCosta Community College District

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Independent Auditor's Report

Board of Trustees
MiraCosta Community College District
Oceanside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of MiraCosta Community College District (the District) as of and for the year ended June 30, 2020, 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 aggregate remaining fund information of the District as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis on pages 4 through 18, and other required supplementary schedules on pages 75 through 80 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 financial statements. The accompanying supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards and the other accompanying 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 19, 2021, 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 "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
February 19, 2021



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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, 2020. 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 71-ASG, Fund 72 – Student Representation Fee Trust Fund, Fund 73-Student Center Fund, Fund 79-OPEB Trust Fund).

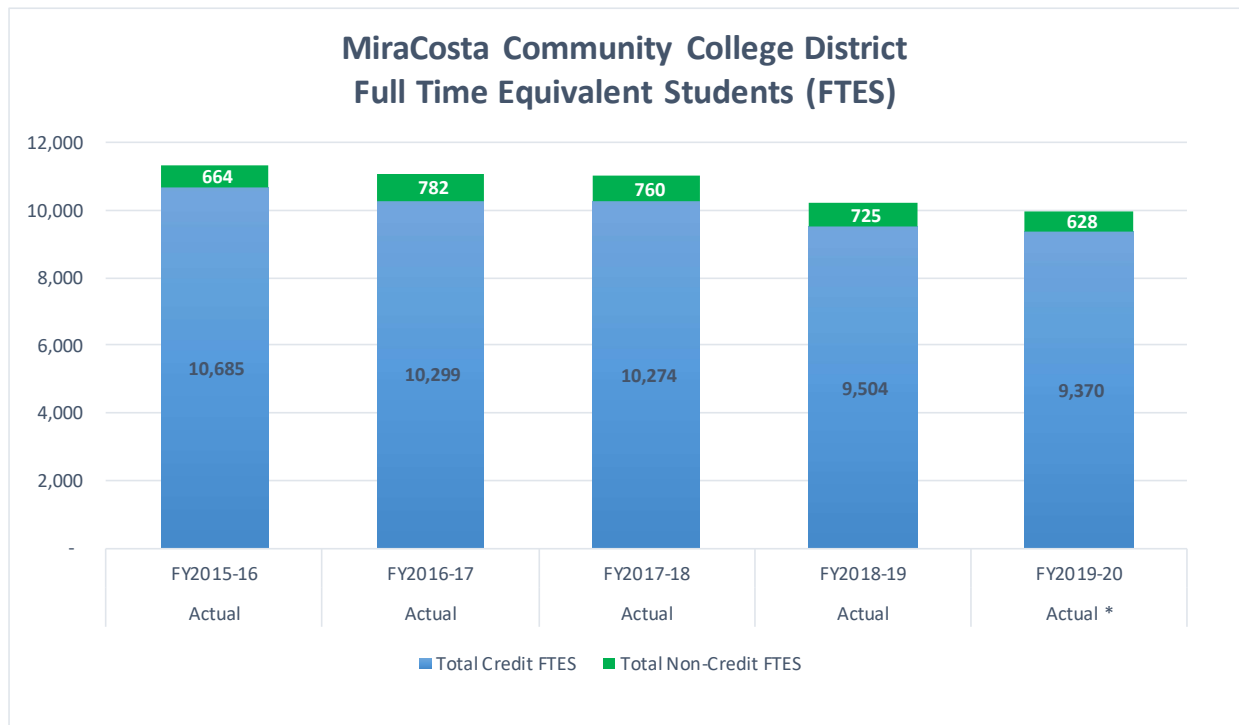
Full-Time Equivalent Student

The total full-time equivalent students (FTES) of 9,998 declined by 231 or 2.3 percent from the prior year of 10,229. The past two years' FTES hovers around 10,000 while the previous three years were in the 11,000 FTES range. 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 starting in March 2020, contributed to some of the decline for the Spring 2020 semester. The District's goal for the next fiscal year is to maintain the FTES at the same level as fiscal year 2019-20.

Full Time Equivalent Students FTES	Actual FY2015-16	Actual FY2016-17	Actual FY2017-18	Actual FY2018-19	Actual * FY2019-20
Total Credit FTES	10,685	10,299	10,274	9,504	9,370
Total Non-Credit FTES	664	782	760	725	628
Total FTES	11,348	11,082	11,034	10,229	9,998
Total FTES Annual Change from Prior Year	433	(267)	(48)	(805)	(231)
Total FTES % Change year to year	4.0%	-2.3%	-0.4%	-7.3%	-2.3%

Source:

*MCCD Oct 27 2020 Recalc Attendance Report (320)



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 and total liabilities (net position) is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

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

MiraCosta Community College District
Management's Discussion and Analysis
June 30, 2020

A Statement of Net Position as of June 30, 2020 and 2019, is summarized below:

	2020	2019	Change	Percentage Change
Assets				
Cash and investments	\$ 116,588,168	\$ 141,776,980	\$ (25,188,812)	-17.77%
Accounts receivable	8,275,248	9,801,359	(1,526,111)	-15.57%
Due from fiduciary funds	91,522	3,775	87,747	2324.42%
Prepaid expenses	427,284	441,309	(14,025)	-3.18%
Net other postemployment benefits (OPEB) asset	51,654	-	51,654	-
Capital Assets (Net)	150,115,212	119,089,603	31,025,609	26.05%
Total assets	275,549,088	271,113,026	4,436,062	1.64%
Deferred Outflows of Resources	35,488,765	35,429,955	58,810	0.17%
Liabilities				
Accounts payable and accrued liabilities	9,376,059	7,301,567	2,074,492	28.41%
Due to fiduciary funds	153,082	138,537	14,545	10.50%
Unearned revenue	11,461,162	11,256,006	205,156	1.82%
Long-term liabilities				
Long-term liabilities other than OPEB and pensions, due within one year	13,908,494	14,918,741	(1,010,247)	-6.77%
Long-term liabilities other than OPEB and pensions, due in more than one year	69,005,369	82,606,033	(13,600,664)	-16.46%
Net OPEB liability	-	1,547,997	(1,547,997)	-
Aggregate net pension liability	132,626,131	123,876,682	8,749,449	7.06%
Total liabilities	236,530,297	241,645,563	(5,115,266)	-2.12%
Deferred Inflows of Resources	9,707,567	7,156,220	2,551,347	35.65%
Net Position				
Net investment in capital assets	111,770,869	97,368,381	14,402,488	14.79%
Restricted	29,575,077	29,413,938	161,139	0.55%
Unrestricted deficit	(76,545,957)	(69,041,121)	(7,504,836)	-10.87%
Total net position	\$ 64,799,989	\$ 57,741,198	\$ 7,058,791	12.22%

- Cash and investments from the beginning of the fiscal year of \$141.8 million decreased by \$25.2 million to end at \$116.6 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 22. Incoming cash from Noncapital Financing Activities were \$148.8 million, the largest from Property tax revenue of \$111.9 million, followed by federal and state grants and state and other apportionments. Net cash outflows from operating activities were \$141.7 million, the largest from payments to employees of \$124.4 million. The net cash flow from Capital Financing activities was a net outflow of \$34.5 million from purchase of capital assets, primarily from the general obligation bond. The outflows were greater than inflows by \$25.2 million.
- The accounts receivable balance of \$8.3 million includes receivables for categorical programs and/or grants, lottery proceeds, and 4th quarter interest. Accounts receivable decreased \$1.5 million from the prior year due to the timing of actual cash received after the year-end cut off for June revenues. Student Accounts receivable (AR) were lower by \$0.6 million and other AR were lower by \$0.9 million, for a combine total reduction of \$1.5 million.
- Accounts payable and accrued liabilities balance of \$9.4 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 \$2.1 million from the prior year is from the change in volume/activities of goods and services received in June, for payment in July.
- Unearned revenue of \$11.5 million, an increase of \$0.2 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 \$13.9 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 for \$13.7 million and the liability of compensated absences/load banking of \$0.2 million (see Note 10, page 50).
- The \$69.0 million of long-term liabilities other than pension and OPEB due in more than one year, represents \$64.9 million of the bond series A liability and \$4.1 million of compensated absences/load banking liability. The decreased by \$13.6 million from the prior year balance is primarily from the lower liability of the bond liability amount.
- The total Net position of \$64.8 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 an increase of \$7.1 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.

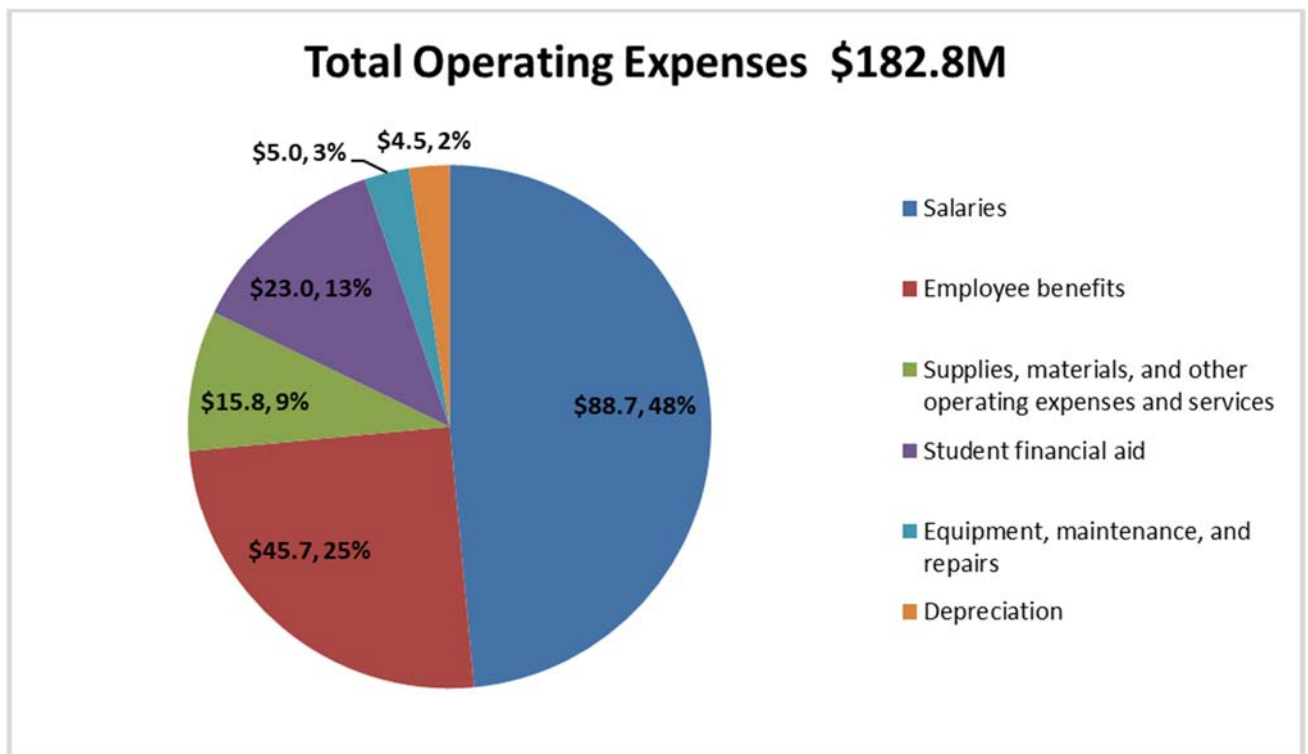
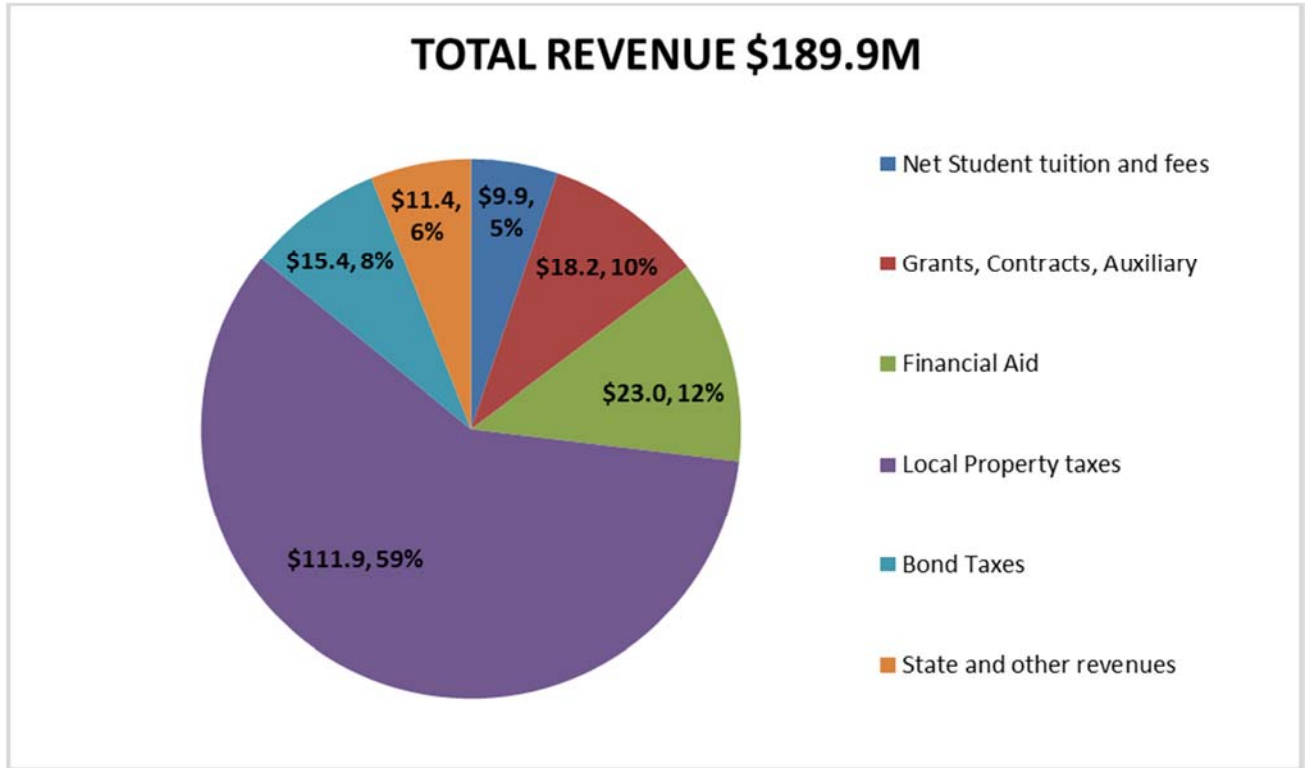
MiraCosta Community College District
Management's Discussion and Analysis
June 30, 2020

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2020 and 2019, is summarized below:

	2020	2019	Change	Percentage Change
Operating Revenues				
Net tuition and fees	\$ 9,858,742	\$ 11,869,668	\$ (2,010,926)	-16.94%
Grants and contracts, noncapital	18,057,346	17,634,316	423,030	2.40%
Auxiliary enterprise sales and charges	173,529	226,385	(52,856)	-23.35%
Total operating revenues	<u>28,089,617</u>	<u>29,730,369</u>	<u>(1,640,752)</u>	<u>-5.52%</u>
Total operating expenses	<u>182,800,622</u>	<u>176,545,571</u>	<u>6,255,051</u>	<u>3.54%</u>
Operating Loss	<u>(154,711,005)</u>	<u>(146,815,202)</u>	<u>(7,895,803)</u>	<u>-5.38%</u>
Nonoperating Revenues (Expenses)				
Federal and state financial aid grants	23,000,000	20,594,125	2,405,875	11.68%
Local property taxes	127,326,263	119,261,243	8,065,020	6.76%
State and other revenues	11,282,795	16,127,835	(4,845,040)	-30.04%
Investment income, net	209	112,421	(112,212)	-99.81%
Transfers to fiduciary funds	(125,000)	(125,000)	-	0.00%
Other nonoperating revenues	59,144	687,541	(628,397)	-91.40%
Total nonoperating revenue (expenses)	<u>161,543,411</u>	<u>156,658,165</u>	<u>4,885,246</u>	<u>3.12%</u>
Other Revenues and (Losses)				
State revenues, capital	-	133,800	(133,800)	-
Local revenues, capital	367,919	43,147	324,772	752.71%
Loss on disposal of capital assets	(141,534)	(3,970)	(137,564)	-3465.09%
Total other revenues and (losses)	<u>226,385</u>	<u>172,977</u>	<u>53,408</u>	<u>30.88%</u>
Change in Net Position	<u>\$ 7,058,791</u>	<u>\$ 10,015,940</u>	<u>\$ (2,957,149)</u>	<u>-29.52%</u>

- Net tuition and fees were \$9.9 million compared to prior year of \$11.9 million, a reduction of \$2.0 million (or 17%). Net tuition and fees is comprised of gross tuition/fees less scholarship/waivers. Gross tuition/fees were \$15.8 million vs prior year of \$19.1 million, and waivers were \$5.9 million vs prior year of \$7.2 million.
- Grants and contracts revenues totaled \$18.1 million, an increase of \$0.4 million, from higher State programs.
- Local property taxes of \$127.3 million includes \$15.4 million of taxes levied for the general obligation bond. Local property taxes for general purposes was \$111.9 million, an increase of \$8.1 million (6.8 percent), from higher assessed property values.
- State and other revenues of \$11.3 million include Education Protection Act (EPA), other general apportionment, STRS pass-through revenue, and other revenues.

TOTAL REVENUES \$189.9 Million less Total Expenses \$182.8 Million = \$7.1 Million Change in Net Position



Expenses are reported by their operating categories as follows:

	2020	2019	Change
Operating Expenses			
Salaries	\$ 88,664,516	\$ 85,940,259	\$ 2,724,257
Employee benefits	45,727,334	42,555,788	3,171,546
Supplies, materials, and other operating expenses and services	20,866,217	23,582,717	(2,716,500)
Student financial aid	23,000,000	20,594,125	2,405,875
Depreciation	4,542,555	3,872,682	669,873
Total operating expenses	\$ 182,800,622	\$ 176,545,571	\$ 6,255,051

Salaries of \$88.7 million increased by \$2.7 million primarily due to the following: annual step and column increases, COLA, hiring of full-time positions, and the implementation of third year of the classification and compensation study. Employee benefits of \$45.7 million increased by \$3.2 million from CalSTRS/CalPERS rate increases.

Supplies, materials, and other operating expenses and services of \$20.9 million decreased by \$2.7 million from \$0.9 million lower contract services from Community Education & Workforce Development, \$0.9 million lower services from Fund 12-Restricted General Funds (Grants and Categoricals). The Community Education & Workforce development, a self-funded program, enrollment for the second half of the year was drastically reduced due to cancelled enrollments from COVID-19 and remote learning environment.

Student financial aid of \$23.0 million was increased from prior year by \$2.4 million primarily from increases in financial aid from the CARES ACT grant due to the COVID-19 pandemic.

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	Equipment, Maintenance, and Repairs	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 55,026,021	\$ 5,966,609	\$ 966,672	\$ 103,361	\$ -	\$ -	\$ 62,062,663
Instructional administration and instructional government	-	6,864,188	270,553	4,215	-	-	7,138,956
Instructional support services	2,237,193	6,800,356	179,738	84,595	-	-	9,301,882
Admissions and records	-	2,584,417	31,497	-	-	-	2,615,914
Student counseling and guidance	-	8,395,587	104,898	850	-	-	8,501,335
Other student services	-	12,492,124	1,426,392	13,321	-	-	13,931,837
Operation and maintenance of plant	-	4,848,563	3,112,788	62,474	-	-	8,023,825
Planning, policymaking, and coordination	-	2,332,184	541,206	300	-	-	2,873,690
General institutional support services	-	15,635,885	6,073,591	91,086	-	-	21,800,562
Community services and economic development	-	4,486,551	1,441,311	12,333	-	-	5,940,195
Ancillary services	-	3,813,294	991,614	2,717	-	-	4,807,625
Auxiliary operations	-	609,805	181,321	9,963	-	-	801,089
Physical property and related acquisitions	-	2,299,073	495,679	4,663,742	-	-	7,458,494
Student aid	-	-	-	-	23,000,000	-	23,000,000
Depreciation expense	-	-	-	-	-	4,542,555	4,542,555
Total	<u>\$ 57,263,214</u>	<u>\$ 77,128,636</u>	<u>\$ 15,817,260</u>	<u>\$ 5,048,957</u>	<u>\$ 23,000,000</u>	<u>\$ 4,542,555</u>	<u>\$ 182,800,622</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, 2020 and 2019, is summarized below:

	2020	2019	Change
Cash from (used for)			
Operating activities	\$ (141,707,543)	\$ (138,304,197)	\$ (3,403,346)
Noncapital financing activities	147,771,901	143,369,657	4,402,244
Capital financing activities	(34,465,141)	(20,149,709)	(14,315,432)
Investing activities	3,211,971	2,081,382	1,130,589
Net Change in Cash and Cash Equivalents	(25,188,812)	(13,002,867)	(12,185,945)
Cash and Cash Equivalents, Beginning of Year	141,776,980	154,779,847	(13,002,867)
Cash and Cash Equivalents, End of Year	\$ 116,588,168	\$ 141,776,980	\$ (25,188,812)

A detailed Statement of Cash Flows for the year ended June 30, 2020, is included in the Basic Financial Statements on pages 22 and 23 of this report.

- Net Cash used from operating activities of \$141.7 million include cash inflows from tuition and fees, and Federal and State grants and contracts. Cash outflows (uses of cash) include operating expenses of \$169.0 million for payments to Students for Financial Aid (scholarships and grants), payments to vendors, and payments to or on behalf of employees (salaries, fringes, payroll taxes). Net change in cash from operating activities increased usage by \$3.4 million primarily from lower cash inflows from tuition and higher outflows from operating expenses.
- Noncapital financing activities of \$147.8 million increased by \$4.4 million (or 3.0 percent); property tax revenue account for 75.7 percent while grants, contracts, and State apportionment/other non-operating cash account for 24.3 percent.

- Capital financing activities was a net outflow of \$34.5 million. Activities include proceeds of property taxes levied for the general obligation bond and payment of debt services expenses (principle and interest) that nets to an outflow of \$1.8 million. Purchases for the facilities bond program were \$32.7 million, which is funded by the General Obligation Bond Series A.
- Cash from investing activities is from the interest earned on investments. The District's investing activities are from the San Diego County Treasury's Investment pool that earned 2.06% in FY2019-20.

District's Fiduciary Responsibility

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

Capital Asset and Long-term liabilities

Capital Assets

- As of June 30, 2020, the District had \$150.1 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 \$31.0 million during fiscal year 2020.
- Capital additions and deductions of construction in progress comprise costs associated with new building and replacement/renovation of existing facilities.

Note 7 in the financial statements provides additional information on capital assets. A summary of capital assets, net of depreciation, is presented below:

	2020	2019	Change
Land and Construction in Progress	\$ 48,875,969	\$ 21,152,131	\$ 27,723,838
Infrastructure, Buildings and Improvements	94,637,105	92,423,512	2,213,593
Furniture and Equipment	6,602,138	5,513,960	1,088,178
 Net capital assets	 \$ 150,115,212	 \$ 119,089,603	 \$ 31,025,609

Long-term liabilities

- At June 30, 2020, the District had \$78.6 million in bonds payable from the sale of the general obligation bond series A. The bond obligations are paid from the collection of local property taxes annually, with a final maturity date of August 1, 2042, and is managed by the County treasury office.
- Compensated absences and load banking increased \$455 thousand from the prior year.
- Aggregate net pension liability (CalSTRS and CalPERS) was \$132.6 million, an increase of \$8.7 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 10, Note 11 and Note 13 in the financial statements provides additional information on long-term liabilities. A summary of long-term liabilities is presented below:

	2020	2019	Change
Bonds payable	\$ 78,625,971	\$ 93,692,319	\$ (15,066,348)
Compensated absences and load banking	4,287,892	3,832,455	455,437
Net other postemployment benefits liability	-	1,547,997	(1,547,997)
Aggregate net pension liability	132,626,131	123,876,682	8,749,449
 Total long-term liabilities	 \$ 215,539,994	 \$ 222,949,453	 \$ (7,409,459)

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 California Legislative Analyst's Office (LAO) have predicted a 3.5% steady growth in California's economic health. According to the November 2019 California's Fiscal Outlook, issued by the LAO, the state budget situation is positive. The city of San Diego's economic outlook from fiscal year 2021–2025 from the November 2019 report, predicted a 5.25% growth for FY2019–20 and a 5% growth for FY2020–21. MCCD received an updated District property assessment growth of 5.1% in July 2020 for FY2020–21, which was used for the FY2020–21 budget. The local property tax growth has a direct impact to the District's annual revenues, since MCCD is one of eight community colleges that are funded by local property tax revenues and not through the state apportionment funding formula for general funds. The following economic outlook predicts a declining growth rate in the next 4 years.

ECONOMIC TRENDS

[Fiscal Year 2021–2025 Five-Year Financial Outlook, City of San Diego]*

The major economic drivers of property tax revenue are the California Consumer Price Index (CCPI), home sales, home price, and foreclosures. The CCPI limits assessed valuation growth under Proposition 13 which specifies that a property's value may increase at the rate of the CCPI but cannot exceed 2.0 percent per year unless the property is improved or sold to establish a new assessed value.

In compliance with Revenue and Taxation Code section 51, the San Diego County Assessor's Office uses the October CCPI to assess property values under Proposition 13. However, at the time of preparing this report, the October
 (continued on next page)

Figure 2.4 - Property Tax Revenue Projections: Fiscal Years 2021 - 2025
 Projections including Redevelopment Property Tax Trust Fund (RPTTF)



Note: This forecast represents estimates from November 2019, prior to the COVID-19 economic impacts.
 *Source: <https://www.sandiego.gov/sites/default/files/fy21-25outlook.pdf>

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The District is not aware of any currently known facts, decisions, or conditions that are expected to have a significant negative impact on the financial position or operations during fiscal year 2020-2021. The Higher Education Emergency Relief Fund (HEERF) from the Coronavirus Aid, Relief, and Economic Security Act (CARES) from March 2020 and HEERF II under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) from January 2021 will provide the funding to support Students with Financial Aid and mitigate the additional operational expenses for distance learning, technology, and other health and safety expenses during the pandemic. Beyond those unknown variables having a global effect on virtually all types of business operations, the District remains cautious in the current economic climate. The County of San Diego's projection from December 2019 on property tax growth in part will be impacted by the County's economic recovery and unemployment in the next two years. Management will continue to provide information to the Board of Trustees and community on the financial condition of the District and to monitor resources to maintain the District's ability to react to internal and external issues if and when they arise.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Vice President of 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, 2020

Assets	
Cash and cash equivalents	\$ 1,313,595
Investments	115,274,573
Accounts receivable	5,009,894
Student receivable	3,265,354
Due from fiduciary funds	91,522
Prepaid expenses	427,284
Net other postemployment benefits (OPEB) asset	51,654
Capital assets	
Nondepreciable capital assets	48,875,969
Depreciable capital assets, net of depreciation	101,239,243
Total capital assets	150,115,212
Total assets	275,549,088
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	34,286,662
Deferred outflows of resources related to other postemployment benefits asset (OPEB)	1,202,103
Total deferred outflows of resources	35,488,765
Liabilities	
Accounts payable	8,173,455
Accrued interest payable	1,202,604
Due to fiduciary funds	153,082
Unearned revenue	11,461,162
Long-term liabilities	
Long-term liabilities other than pensions, due within one year	13,908,494
Long-term liabilities other than pensions, due in more than one year	69,005,369
Aggregate net pension liability	132,626,131
Total liabilities	236,530,297
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	7,766,796
Deferred inflows of resources related to OPEB asset	1,940,771
Total deferred inflows of resources	9,707,567
Net Position	
Net investment in capital assets	111,770,869
Restricted for	
Debt service	15,082,995
Capital projects	11,959,220
Educational programs	2,532,862
Unrestricted deficit	(76,545,957)
Total net position	\$ 64,799,989

MiraCosta Community College District
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020

Operating Revenues	
Student tuition and fees	\$ 15,777,607
Less scholarship discounts and allowances	(5,918,865)
Net tuition and fees	<u>9,858,742</u>
Grants and contracts, noncapital	
Federal	4,982,379
State	12,611,419
Local	463,548
Total grants and contracts, noncapital	<u>18,057,346</u>
Auxiliary enterprise sales and charges	
Bookstore	157,776
Cafeteria	15,753
Total auxiliary enterprise sales and charges	<u>173,529</u>
Total operating revenues	<u>28,089,617</u>
Operating Expenses	
Salaries	88,664,516
Employee benefits	45,727,334
Supplies, materials, and other operating expenses and services	15,817,260
Student financial aid	23,000,000
Equipment, maintenance, and repairs	5,048,957
Depreciation	4,542,555
Total operating expenses	<u>182,800,622</u>
Operating Loss	<u>(154,711,005)</u>
Nonoperating Revenues (Expenses)	
Education protection act and other general apportionment	2,250,462
Local property taxes, levied for general purposes	111,897,589
Taxes levied for other specific purposes	15,428,674
Federal financial aid grants, noncapital	19,736,186
State financial aid grants, noncapital	3,263,814
State taxes and other revenues	9,032,333
Investment income	2,299,741
Interest expense on capital related debt	(2,602,377)
Investment income on capital asset-related debt	302,845
Transfer to fiduciary funds	(125,000)
Other nonoperating revenues	59,144
Total nonoperating revenues (expenses)	<u>161,543,411</u>

MiraCosta Community College District
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020

Income before other revenues	\$ 6,832,406
Other Revenues and (losses)	
Local revenues, capital	367,919
Loss on disposal of capital assets	<u>(141,534)</u>
Total other revenues and (losses)	<u>226,385</u>
Change in Net Position	7,058,791
Net Position, Beginning of Year	<u>57,741,198</u>
Net Position, End of Year	<u><u>\$ 64,799,989</u></u>

MiraCosta Community College District
Statement of Cash Flows
Year Ended June 30, 2020

Operating Activities	
Tuition and fees	\$ 9,084,658
Federal and state grants and contracts	18,058,429
Payments to vendors for supplies and services	(21,650,608)
Payments to or on behalf of employees	(124,373,551)
Payments to students for scholarships and grants	(23,000,000)
Auxiliary enterprise sales and charges	173,529
	<hr/>
Net Cash Flows from Operating Activities	(141,707,543)
Noncapital Financing Activities	
Federal and state financial aid grants	23,095,015
Property taxes - nondebt related	111,897,589
State taxes and other apportionments	11,213,252
Other nonoperating	1,566,045
	<hr/>
Net Cash Flows from Noncapital Financing Activities	147,771,901
Capital Financing Activities	
Purchase of capital assets	(32,651,729)
Local revenue, capital projects	367,919
Property taxes - related to capital debt	15,428,674
Principal paid on capital debt	(14,730,000)
Interest paid on capital debt	(3,182,850)
Interest received on capital asset-related debt	302,845
	<hr/>
Net Cash Flows from Capital Financing Activities	(34,465,141)
Investing Activities	
Interest received from investments	3,211,971
	<hr/>
Net Change in Cash and Cash Equivalents	(25,188,812)
Cash and Cash Equivalents, Beginning of Year	141,776,980
	<hr/>
Cash and Cash Equivalents, End of Year	<u>\$ 116,588,168</u>

MiraCosta Community College District
Statement of Cash Flows
Year Ended June 30, 2020

Reconciliation of net operating loss to net cash flows from operating activities	
Operating loss	<u>\$ (154,711,005)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	4,542,555
Changes in assets, deferred outflows, liabilities, and deferred inflows	
Receivables	(146,710)
Prepaid expenses	14,025
Net other postemployment benefits (OPEB) asset	(51,654)
Accounts payable and accrued liabilities	(877,889)
Unearned revenue	(626,291)
Deferred outflows of resources related to pensions	9,029
Deferred outflows of resources related to OPEB	(67,839)
Compensated absences and load banking	455,437
Net other postemployment benefits (OPEB) liability	(1,547,997)
Aggregate net pension liability	8,749,449
Deferred inflows of resources related to pensions	777,648
Deferred inflows of resources related to OPEB	<u>1,773,699</u>
Total adjustments	<u>13,003,462</u>
Net Cash Flows from Operating Activities	<u>\$ (141,707,543)</u>
Cash and Cash Equivalents Consist of	
Cash in banks	\$ 1,313,595
Cash in county treasury	<u>115,274,573</u>
Total cash and cash equivalents	<u>\$ 116,588,168</u>
Noncash Transactions	
Amortization of debt premium	<u>\$ 336,348</u>

MiraCosta Community College District

Fiduciary Funds

Statement of Net Position

June 30, 2020

	Retiree OPEB Trust	Other Trusts	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ -	\$ 40,346	\$ 368,993
Investments	27,930,713	221,864	-
Accounts receivable	-	6,340	1,073
Due from primary government	-	152,535	547
Capital assets, net of depreciation	-	5,264,268	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	-	5,685,353	<u><u>\$ 370,613</u></u>
Liabilities			
Accounts payable	-	5,218	\$ 224
Due to primary government	-	77,812	13,710
Due to student groups	-	-	356,679
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	-	83,030	<u><u>\$ 370,613</u></u>
Net Position			
Restricted for postemployment benefits other than pensions	27,930,713	-	
Unrestricted	-	5,602,323	
	<u> </u>	<u> </u>	
Total net position	<u><u>\$ 27,930,713</u></u>	<u><u>\$ 5,602,323</u></u>	

MiraCosta Community College District
Statement of Changes in Net Position
Year Ended June 30, 2020

	Retire OPEB Trust	Other Trusts
Additions		
Interest and investment income	\$ 651,468	\$ -
Net realized and unrealized gain	550,859	-
Local revenues	-	282,190
	<u>1,202,327</u>	<u>282,190</u>
Deductions		
Classified salaries	-	81,307
Employee benefits	-	20,330
Books and supplies	-	39,546
Administrative expenses	38,117	-
Services and operating expenditures	-	156,142
	<u>38,117</u>	<u>297,325</u>
Change in Net Position	1,164,210	(15,135)
Net Position, Beginning of Year	<u>26,766,503</u>	<u>5,617,458</u>
Net Position, End of Year	<u>\$ 27,930,713</u>	<u>\$ 5,602,323</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 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

Measurement Focus and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. This presentation provides a comprehensive government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. For the District, operating revenues consist primarily of student fees, noncapital grants and contracts, and auxiliary activities through the bookstore and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, such as State apportionments, property taxes, Federal and State financial aid grants, entitlements, and donations, are classified as nonoperating revenue. Federal and State financial aid grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants. Eligibility requirements may include time and/or purpose requirements. Property tax revenues are recognized in the fiscal year in which they are received. State apportionment revenue is earned based upon criteria set forth from the California Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES). The corresponding apportionment revenue is recognized in the period the FTES are generated.

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

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be 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 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District sends outstanding receivables to the Chancellor's Office Tax Offset Program (COTOP) for collection and writes off the uncollected amounts annually, therefore the District does not record an allowance for uncollectible accounts.

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, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. Donated capital assets are recorded at 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.

Accrued Liabilities and Long-Term Liabilities

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

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 school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items and for OPEB related items.

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 primarily includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include bonds payable, compensated absences, load banking and the aggregate net pension liability 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 their 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 \$29,575,077 of restricted net position, and the fiduciary funds financial statements report \$27,930,713 of restricted net position.

Operating Revenues and Expenses

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

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

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

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

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

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

State Apportionments

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

Property Taxes

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

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

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG) Grants, and Work-Study and Direct Student Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

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

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

The provisions of this Statement have been implemented as of June 30, 2020, with the exception of Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The District has already implemented this standard as of June 30, 2020.

New Accounting Pronouncements

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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.

As a result of the implementation of GASB Statement No. 95, the requirements of 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.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.

- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in 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.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. 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, 2020, consist of the following:

	Primary Government	Fiduciary Funds
Cash on Hand and in Banks	\$ 1,238,595	\$ 409,339
Cash in Revolving	75,000	-
Investments	115,274,573	28,152,577
Total deposits and investments	<u>\$ 116,588,168</u>	<u>\$ 28,561,916</u>

Interest Rate Risk

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

Specific Identification

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

Investment Type	Reported Amount	Weighted Average Days to Maturity
San Diego County Investment Pool	\$ 115,496,437	556
Master Trust	27,930,713	N/A
Total	<u>\$ 143,427,150</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, 2020. The San Diego County Investment Pool was rated AAf/S1 by Fitch Ratings, Inc.

Custodial Credit Risk – Deposits and Investments

Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the bank balance totaled \$1,697,392 of which \$1,197,392 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District. The balance of \$1,697,392 consisted of \$1,274,393 in District funds and \$422,999 in fiduciary funds.

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, 2020, the District's investment balance of \$27.9 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, 2020:

Investment Type	Fair value	Level 3 Inputs
Master trust	<u>\$ 27,930,713</u>	<u>\$ 27,930,713</u>

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

The following table summarizes the District's Level 3 reconciliation as of June 30, 2020:

	Level 3 Inputs
Investments at Fair Value	
Balance at July 1, 2019	\$ 26,766,503
Interest and investment income	651,468
Net realized and unrealized gain	550,859
Administrative expenses	(38,117)
Balance at June 30, 2020	\$ 27,930,713

Note 5 - Accounts Receivable

Accounts receivable at June 30, 2020, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	\$ 2,151,937	\$ -
State Government		
Apportionment	509,411	
Categorical aid	586,278	-
Lottery	528,951	-
Local Sources		
Interest	454,561	948
Third party billing	113,690	-
Student community service	15,890	-
Property taxes	477,198	-
Other local sources	171,978	6,465
Total	\$ 5,009,894	\$ 7,413
Student Receivables	\$ 3,265,354	\$ -

Note 6 - Interfund Transactions**Interfund Receivables and Payables (Due to/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2020, the amount owed to the primary government and the fiduciary funds were \$91,522 and \$153,082, respectively.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2020 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to \$125,000.

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

Primary Government

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Capital Assets Not Being Depreciated				
Land	\$ 5,366,281	\$ -	\$ -	\$ 5,366,281
Construction in progress	15,785,850	33,810,117	(6,086,279)	43,509,688
	<u>21,152,131</u>	<u>33,810,117</u>	<u>(6,086,279)</u>	<u>48,875,969</u>
Capital Assets Being Depreciated				
Infrastructure	7,439,574	794,721	-	8,234,295
Buildings and improvements	159,688,817	4,207,037	-	163,895,854
Furniture and equipment	22,745,241	2,984,102	(2,355,400)	23,373,943
	<u>189,873,632</u>	<u>7,985,860</u>	<u>(2,355,400)</u>	<u>195,504,092</u>
Total capital assets	<u>211,025,763</u>	<u>41,795,977</u>	<u>(8,441,679)</u>	<u>244,380,061</u>
Less Accumulated Depreciation				
Infrastructure	(5,481,545)	(180,422)	-	(5,661,967)
Buildings and improvements	(69,223,334)	(2,607,743)	-	(71,831,077)
Furniture and equipment	(17,231,281)	(1,754,390)	2,213,866	(16,771,805)
	<u>(91,936,160)</u>	<u>(4,542,555)</u>	<u>2,213,866</u>	<u>(94,264,849)</u>
Net Capital Assets	<u>\$ 119,089,603</u>	<u>\$ 37,253,422</u>	<u>\$ (6,227,813)</u>	<u>\$ 150,115,212</u>

Depreciation expense for the year was \$4,542,555.

Fiduciary Funds

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Capital Assets Being Depreciated				
Buildings and improvements	\$ 6,711,216	\$ 78,261	\$ -	\$ 6,789,477
Furniture and equipment	76,126	-	(3,924)	72,202
Total capital assets being depreciated	<u>6,787,342</u>	<u>78,261</u>	<u>(3,924)</u>	<u>6,861,679</u>
Less Accumulated Depreciation				
Buildings and improvements	(1,385,981)	(135,877)	-	(1,521,858)
Furniture and equipment	(78,712)	(765)	3,924	(75,553)
Total accumulated depreciation	<u>(1,464,693)</u>	<u>(136,642)</u>	<u>3,924</u>	<u>(1,597,411)</u>
Net Capital Assets	<u>\$ 5,322,649</u>	<u>\$ (58,381)</u>	<u>\$ -</u>	<u>\$ 5,264,268</u>

Depreciation expense in the fiduciary funds for the year was \$136,642.

Note 8 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	Primary Government	Fiduciary Funds
Accrued Payroll and Benefits	\$ 582,271	\$ -
Construction	5,846,204	-
Vendor Payables	1,743,816	5,442
Federal Categorical	1,164	-
Total	<u>\$ 8,173,455</u>	<u>\$ 5,442</u>

Note 9 - Unearned Revenue

Unearned revenue at June 30, 2020, consisted of the following:

	Primary Government
State Categorical Aid	\$ 4,868,171
Federal Categorical Aid	9,038
Enrollment Fees	4,232,791
Other Local	2,351,162
Total	\$ 11,461,162

Note 10 - 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 2020 fiscal year consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Bonds Payable					
General obligation					
bond 2016, Series A	\$ 85,850,000	\$ -	\$ (14,580,000)	\$ 71,270,000	\$ 13,715,000
Premium on general					
obligation bonds	7,687,819	-	(331,848)	7,355,971	-
Lease revenue refunding					
bonds, Series 2010B	150,000	-	(150,000)	-	-
Premium on lease revenue					
refunding bonds	4,500	-	(4,500)	-	-
Total bonds payable	93,692,319	-	(15,066,348)	78,625,971	13,715,000
Other Liabilities					
Compensated absences	2,654,099	236,567	-	2,890,666	154,244
Load banking	1,178,356	218,870	-	1,397,226	39,250
Total other liabilities	3,832,455	455,437	-	4,287,892	193,494
Total long-term liabilities	\$ 97,524,774	\$ 455,437	\$ (15,066,348)	\$ 82,913,863	\$ 13,908,494

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. Payments on the lease revenue bond are paid by the debt service fund. The compensated absences and load banking liability will be paid by the fund for which the employee worked.

General Obligation Bonds

In September 2017, the District issued the Election of 2016 General Obligation Bonds, Series A in the amount of \$100,000,000. The bonds have a final maturity which occurs on August 1, 2042, with interest rates from 3.00 to 5.00 percent. The bonds were issued as current interest bonds. The bonds were issued to finance the acquisition, construction, modernization, and equipping of District sites and facilities, prepay the 2015 Lease/Purchase Agreement and pay the cost of issuing the bonds. At June 30, 2020, the principal balance outstanding was \$71,270,000 and unamortized premium on issuance of \$7,355,971, respectively.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Issued	Redeemed	Bonds Outstanding June 30, 2020
9/12/17	8/1/42	3.00% - 5.00%	\$ 100,000,000	\$ 85,850,000	\$ -	\$ 14,580,000	\$ 71,270,000

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ 13,715,000	\$ 2,611,950	\$ 16,326,950
2022	375,000	2,330,150	2,705,150
2023	500,000	2,310,150	2,810,150
2024	635,000	2,281,775	2,916,775
2025	785,000	2,246,275	3,031,275
2026-2030	6,620,000	10,403,250	17,023,250
2031-2035	12,405,000	8,269,000	20,674,000
2036-2040	19,750,000	5,308,975	25,058,975
2041-2043	16,485,000	1,024,700	17,509,700
	<u>\$ 71,270,000</u>	<u>\$ 36,786,225</u>	<u>\$ 108,056,225</u>

Lease Revenue Bonds

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

At June 30, 2020, the principal balance was paid in full.

Compensated Absences

At June 30, 2020, the liability for compensated absences was \$2,890,666.

Load Banking

At June 30, 2020, the liability for load banking was \$1,397,226.

Note 11 - Net Other Postemployment Benefits (OPEB) Asset

For the fiscal year ended June 30, 2020, the District reported a net OPEB asset, deferred outflows of resources, deferred inflows of resources, and OPEB expense of \$51,654, \$1,202,103, \$1,940,771, and \$106,209, 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 Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	100
Active employees	560
	660
	660

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, 2019 valuation, the annual maximum is based on the medical, dental, and vision plan elected by the retiree (\$26,236 for the PPO and \$18,782 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 fiscal year 2018-2019, the District contributed \$1,134,264 to the Plan, all of which was used for current premiums. Plan members are not required to contribute to the Plan.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
Global equities	9%
Domestic equities	39%
U.S. fixed income	41%
Commodities	3%
Inflation assets	8%

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 5.93 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Asset of the District

The District's net OPEB asset of \$51,654 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2019. The components of the net OPEB asset of the District at June 30, 2019, were as follows:

Total OPEB liability	\$ 26,714,849
Plan fiduciary net position	<u>26,766,503</u>
District's net OPEB (asset) liability	<u>\$ (51,654)</u>
Plan Fiduciary Net Position as A Percentage of the Total OPEB Liability	<u>100%</u>

Actuarial Assumptions

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

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

Mortality rates are based on the rates used by the 6/30/2017 CalPERS pension valuation for Non-Faculty employees and the 6/30/2015 STRS pension valuation for Faculty employees.

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, 2019, (see the discussion of the Plan's investment policy) are summarized in the following table:

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

Discount Rate

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

Changes in the Net OPEB (Asset) Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018	\$ 26,815,056	\$ 25,267,059	\$ 1,547,997
Service Cost	1,262,891	-	1,262,891
Interest	1,660,653	-	1,660,653
Contributions-Employer	-	1,134,264	(1,134,264)
Net Investment Income	-	1,519,696	(1,519,696)
Differences Between Expected and Actual Experience	(2,042,243)	-	(2,042,243)
Changes of Assumptions	152,756	-	152,756
Benefit Payments	(1,134,264)	(1,134,264)	-
Administrative Expense	-	(20,252)	20,252
Net change in total OPEB (asset) liability	<u>(100,207)</u>	<u>1,499,444</u>	<u>(1,599,651)</u>
Balance at June 30, 2019	<u>\$ 26,714,849</u>	<u>\$ 26,766,503</u>	<u>\$ (51,654)</u>

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

There were no changes of assumptions since the previous valuation.

Sensitivity of the Net OPEB (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:

<u>Discount Rate</u>	<u>Net OPEB (Asset) Liability</u>
1% decrease (5.0%)	\$ 2,196,035
Current discount rate (6.0%)	(51,654)
1% increase (7.0%)	(2,077,444)

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:

<u>Healthcare Cost Trend Rates</u>	<u>Net OPEB (Asset) Liability</u>
1% decrease (HMO 5.0% and PPO 5.5%)	\$ (2,563,714)
Current healthcare cost trend rate (HMO 6.0% and PPO 6.5%)	(51,654)
1% increase (HMO 7.0% and PPO 7.5%)	2,860,673

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

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 1,068,442	\$ -
Differences between expected and actual experience	-	1,786,963
Changes of assumptions	133,661	-
Net difference between projected and actual earnings on OPEB plan investments	-	153,808
Total	<u>\$ 1,202,103</u>	<u>\$ 1,940,771</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ (64,020)
2022	(64,019)
2023	(29,085)
2024	3,316
	<u>\$ (153,808)</u>

Amounts reported as deferred outflows/inflows of resources related to differences between expected and actual experience 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 8.0 years and amounts will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ (235,375)
2022	(235,375)
2023	(235,375)
2024	(235,375)
2025	(235,375)
Thereafter	(476,427)
	<u>\$ (1,653,302)</u>

Note 12 - Risk Management**Property and Liability Insurance Coverages**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for property with coverages of \$500 million, subject to various policy limits and deductibles ranging from \$0 to \$10,000 per occurrence. The District also purchases commercial insurance for general liability claims with coverage up to \$55 million per occurrence and \$10 million aggregate, all subject to various deductibles.

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

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2020, 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 13 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2020, 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:

<u>Pension Plan</u>	<u>Aggregate Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 68,234,379	\$ 18,386,274	\$ 7,163,159	\$ 7,886,770
CalPERS	<u>64,391,752</u>	<u>15,900,388</u>	<u>603,637</u>	<u>11,686,423</u>
Total	<u>\$ 132,626,131</u>	<u>\$ 34,286,662</u>	<u>\$ 7,766,796</u>	<u>\$ 19,573,193</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, 2018, 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 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and 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 provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
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 detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings over a seven year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the District's total contributions were \$6,991,976.

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

At June 30, 2020, 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	\$ 68,234,379
State's proportionate share of net pension liability associated with the District	<u>37,226,409</u>
Total	<u><u>\$ 105,460,788</u></u>

The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, was 0.0756 percent and 0.0728 percent, respectively, resulting in a net increase in the proportionate share of 0.0028 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$7,886,770. In addition, the District recognized pension expense and revenue of \$5,543,815 for support provided by the State. At June 30, 2020, 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	\$ 6,991,976	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,591,884	2,611,984
Differences between projected and actual earnings on pension plan investments	-	2,628,410
Differences between expected and actual experience in the measurement of the total pension liability	172,256	1,922,765
Changes of assumptions	<u>8,630,158</u>	<u>-</u>
Total	<u><u>\$ 18,386,274</u></u>	<u><u>\$ 7,163,159</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:

<u>Yea Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ (265,120)
2022	(2,086,647)
2023	(433,221)
2024	<u>156,578</u>
Total	<u>\$ (2,628,410)</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:

<u>Yea Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 1,556,803
2022	1,556,802
2023	1,365,445
2024	2,200,470
2025	58,633
Thereafter	<u>121,396</u>
Total	<u>\$ 6,859,549</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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.80%
Fixed income	12%	1.30%
Real estate	13%	3.60%
Private equity	13%	6.30%
Risk mitigating strategies	9%	1.80%
Inflation sensitive	4%	3.30%
Cash/liquidity	2%	-0.40%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 101,606,638
Current discount rate (7.10%)	68,234,379
1% increase (8.10%)	40,562,420

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, 2018, 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 provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	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	19.721%	19.721%

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, 2020, are presented above, and the total District contributions were \$6,543,091.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$64,391,752. The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, was 0.2209 percent and 0.2137 percent, respectively, resulting in a net increase in the proportionate share of 0.0072 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$11,686,423. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 6,543,091	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,614,624	6,391
Differences between projected and actual earnings on the pension plan investments	-	597,246
Differences between expected and actual experience in the measurement of the total pension liability	4,677,426	-
Changes of assumptions	<u>3,065,247</u>	<u>-</u>
Total	<u>\$ 15,900,388</u>	<u>\$ 603,637</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:

<u>Yea Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 589,547
2022	(1,177,602)
2023	(178,451)
2024	<u>169,260</u>
Total	<u>\$ (597,246)</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:

Yea Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 5,470,908
2022	2,615,465
2023	1,149,576
2024	114,957
Total	\$ 9,350,906

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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 services

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent 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 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 92,816,476
Current discount rate (7.15%)	64,391,752
1% increase (8.15%)	40,811,480

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

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

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

The minimum total contribution is 7.5 percent of employees' salaries, of which the employee contributes 3.75 percent and the District contributes the remaining 3.75 percent. District employees are covered under PARS-ARS as of June 30, 2020. Total District contributions to the plan amounted to \$158,585

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, 2020, which amounted to \$3,888,417 (10.328 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2020. 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.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of \$1.1 billion for CalSTRS. A proportionate share of these contributions has 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 14 - Participation in Public Entity Risk Pools and Joint Powers Authorities

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

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

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

During the year ended June 30, 2020, the District made payments of \$603,768 and \$0 to San Diego School Risk Management and Retiree Health Benefit Program, respectively.

Note 15 - Commitments and Contingencies

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

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, 2020.

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Construction Commitments	Expected Dates of Completion
Community Learning Center		
Renovation Building A + B Classrooms	\$ 237,828	October 2021
Renovation Building SBD	176,426	January 2021
New Student Services Building	7,891,433	June 2021
Oceanside Campus		
Renovation Building 1000 Admin	2,347,166	January 2023
New Gymnasium Building	1,781,292	January 2024
New Chem & Biotech Building	2,562,448	November 2024
New Student Services Building	3,617,393	September 2023
New Allied Health Building	1,371,673	June 2023
Renovation Temporary Buildings	80,948	July 2026
Renovation Temporary Buildings	240,287	July 2026
New N Campus Park Lot 4C Ex	11,270	July 2022
New Parking Lot & Entrance	944,099	November 2021
North Storm Drain	81,415	July 2020
Renovation N Campus Track & Field	3,219,899	March 2021
San Elijo Campus		
Renovation Building 200	2,832,875	March 2021
Renovation Building 300 Tutoring Center	62,651	July 2020
Renovation Building 400 Science Labs	240,693	February 2022
Renovation Building 500 Computer Lab	202,456	November 2020
Renovation Building 600	62,729	July 2020
Renovation Student Ctr Building	118,608	November 2021
Renovation Classrooms & Sc. Labs	243,911	April 2022
New Student Services Building	7,685,757	June 2021
Renovation Library Building	87,823	August 2021
	<u>\$ 36,101,080</u>	

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

Note 16 - Subsequent Events

Subsequent to year end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

On August 18, 2020, the District issued \$255,000,000 in Election 2016 General Obligation Bonds, Series B. Proceeds from the bonds are being issued to continue construction and modernization projects. The bonds mature through August 2041 and yield rates ranging from 1.875 percent to 4.000 percent for the tax-exempt bonds, and 0.150% for the federally taxable bonds issued.



Required Supplementary Information
June 30, 2020

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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 1,262,891	\$ 1,427,733	\$ 1,263,552
Interest	1,660,653	1,551,737	1,444,923
Differences Between Expected and Actual Experience	(2,042,243)	-	-
Changes of Assumptions	152,756	-	-
Benefit payments	<u>(1,134,264)</u>	<u>(1,120,946)</u>	<u>(984,894)</u>
Net Changes in Total OPEB Liability	(100,207)	1,858,524	1,723,581
Total OPEB Liability - Beginning	<u>26,815,056</u>	<u>24,956,532</u>	<u>23,232,951</u>
Total OPEB Liability - Ending (A)	<u><u>\$ 26,714,849</u></u>	<u><u>\$ 26,815,056</u></u>	<u><u>\$ 24,956,532</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 1,134,264	\$ 3,020,946	\$ 984,894
Net investment income	1,519,696	1,566,845	1,881,364
Benefit payments	(1,134,264)	(1,120,946)	(984,894)
Administrative expense	<u>(20,252)</u>	<u>(37,580)</u>	<u>(32,857)</u>
Net change in plan fiduciary net position	1,499,444	3,429,265	1,848,507
Plan fiduciary net position - beginning	<u>25,267,059</u>	<u>21,837,794</u>	<u>19,989,287</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 26,766,503</u></u>	<u><u>\$ 25,267,059</u></u>	<u><u>\$ 21,837,794</u></u>
District's net OPEB (asset) liability - ending (a) - (b)	<u><u>\$ (51,654)</u></u>	<u><u>\$ 1,547,997</u></u>	<u><u>\$ 3,118,738</u></u>
Plan fiduciary net position as a percentage of the total OPEB (asset) liability	<u>100.19%</u>	<u>94.23%</u>	<u>87.50%</u>
Covered payroll	<u><u>\$ 57,553,143</u></u>	<u><u>\$ 51,344,000</u></u>	<u><u>\$ 51,344,000</u></u>
District's net OPEB (asset) liability as a percentage of covered payroll	<u>-0.09%</u>	<u>3.01%</u>	<u>6.07%</u>
Measurement Date	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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 1,779,717	\$ 1,963,976	\$ 1,916,126
Contributions in relation to the actuarially determined contribution	<u>1,467,741</u>	<u>3,097,943</u>	<u>1,140,898</u>
Contribution deficiency (excess)	<u>\$ 311,976</u>	<u>\$ (1,133,967)</u>	<u>\$ 775,228</u>
Covered payroll	<u>\$ 57,553,143</u>	<u>\$ 51,344,000</u>	<u>\$ 51,344,000</u>
Contributions as a percentage of covered payroll	<u>2.55%</u>	<u>6.03%</u>	<u>2.22%</u>

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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	<u>5.93%</u>	<u>6.94%</u>	<u>9.25%</u>

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, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
District's proportion of the net pension liability	0.0756%	0.0728%	0.0733%	0.0738%	0.0805%	0.0773%
District's proportionate share of the net pension liability	\$ 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	37,226,409	38,308,423	40,083,664	33,982,167	28,655,243	27,265,507
Total	<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>
District's covered payroll	<u>\$ 40,510,362</u>	<u>\$ 38,108,247</u>	<u>\$ 37,091,558</u>	<u>\$ 38,363,029</u>	<u>\$ 40,019,043</u>	<u>\$ 32,035,059</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>168.44%</u>	<u>175.58%</u>	<u>182.67%</u>	<u>155.60%</u>	<u>135.39%</u>	<u>140.95%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
District's proportion of the net pension liability	0.2209%	0.2137%	0.2096%	0.2097%	0.2074%	0.2105%
District's proportionate share of the net pension liability	\$ 64,391,752	\$ 56,967,872	\$ 50,030,808	\$ 41,421,964	\$ 30,577,734	\$ 23,899,791
District's covered payroll	<u>\$ 30,701,207</u>	<u>\$ 28,131,814</u>	<u>\$ 26,795,363</u>	<u>\$ 25,072,913</u>	<u>\$ 22,897,417</u>	<u>\$ 22,210,989</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>209.74%</u>	<u>202.50%</u>	<u>186.71%</u>	<u>165.21%</u>	<u>133.54%</u>	<u>107.60%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	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, 2020

	2020	2019	2018	2017	2016	2015
CaSTRS						
Contractually required contribution	\$ 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	6,991,976	6,595,087	5,499,020	4,666,118	4,116,353	3,553,691
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 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	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CaIPERS						
Contractually required contribution	\$ 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	6,543,091	5,545,252	4,369,152	3,721,340	2,970,388	2,695,255
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 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	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 - There were no changes of assumptions since the previous valuation.

Schedule of District Contributions for OPEB

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

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 both CalSTRS and CalPERS.

Changes of Assumptions - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions for Pensions

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



Supplementary Information
June 30, 2020

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.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. David Broad	President	2022
Mr. Rick Cassar	Vice President	2022
Dr. William C. Fischer	Member	2022
Ms. Anna Pedroza	Member	2022
Mr. Frank Merchat	Member	2020
Mr. George McNeil	Member	2020
Ms. Jacqueline Simon	Member	2020

ADMINISTRATION

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

Auxiliary Organizations in Good Standing

MiraCosta College Foundation, established 1967
 Master Agreement revised November 19, 2020
 Cynthia Rice, Associate Vice President of Institutional Advancement

MiraCosta Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Labor				
America's Promise Job Driven Grant Program	17.268		\$ 1,363,537	\$ 400,802
Total U.S. Department of Labor			<u>1,363,537</u>	<u>400,802</u>
Small Business Administration				
Veterans Business Outreach Center (VBOC) Program Grant	59.044		353,646	-
Passed through Southwestern Community College District				
North San Diego Small Business				
Development Center Program	59.037	9042.20	158,325	-
COVID-19 Assistance (SBA-CAREs) - SBDC	59.037	[1]	48,341	-
Subtotal			<u>206,666</u>	<u>-</u>
Total Small Business Administration			<u>560,312</u>	<u>-</u>
U.S. Department of Veteran Affairs				
Veterans Services	64.027		2,197	-
Total U.S. Department of Veteran's Affairs			<u>2,197</u>	<u>-</u>
U.S. Department of Education				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007		388,918	-
Federal Work-Study Program	84.033		388,376	-
Federal Work-Study Program Administrative Allowance	84.033		48,861	-
Federal Pell Grant Program	84.063		15,565,638	-
Federal Pell Grant Program Administrative Allowance	84.063		20,500	-
Federal Direct Student Loans	84.268		1,940,630	-
Subtotal Student Financial Assistance Cluster			<u>18,352,923</u>	<u>-</u>
COVID-19: CARES Act Higher Education Emergency				
Relief Funds, Student Aid Portion	84.425E		1,841,000	
Gaining Early Awareness and Readiness for				
Undergraduate Programs (GEAR-UP)	84.334A		1,722,776	-
Passed through California Department of Education (CDE)				
Adult Basic Education and ELA (Section 231)	84.002A	14508	239,575	-
Adult Secondary Education (Section 231)	84.002	13978	105,050	-
English Literacy and Civics Education - Local Grant	84.002A	14109	22,080	-
Subtotal			<u>366,705</u>	<u>-</u>

[1] Pass-Through Entity Identifying Number not available

MiraCosta Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Amounts Passed Through to Subrecipients
Passed through California Community Colleges Chancellor's Office Career and Technical Education Act, Perkins Title I, Part C CTE Transitions	84.048A 84.048A	19-C01-032 19-C01-032	\$ 371,707 46,195	\$ - -
Subtotal			<u>417,902</u>	<u>-</u>
Total U.S. Department of Education			<u>22,701,306</u>	<u>-</u>
Research and Development Cluster				
National Science Foundation				
Passed through Montgomery County Community College The NBC2: Building Regional and National Networks for a 21st Century Workforce in Bioeconomy	47.076	DUE-1501631	7,011	-
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	85117MC2018	14,904	-
Subtotal Research and Development Cluster			<u>21,915</u>	<u>-</u>
U.S. Department of Health and Human Services				
Passed through California Community Colleges Chancellor's Office Temporary Assistance for Needy Families (TANF)	93.558	[1]	60,288	-
Passed through Yosemite Community College District Child Care and Development Fund (CCDF) Cluster Child Development Training Consortium	93.575	19-20-4096	22,031	-
Subtotal CCDF Cluster			<u>22,031</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>82,319</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$24,731,586</u>	<u>\$ 400,802</u>

[1] Pass-Through Entity Identifying Number not available

MiraCosta Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2020

Program	Program Revenues			Total Revenue	Total Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue		
Adult Ed Program AEP	\$ 2,087,814	\$ -	\$ 685,585	\$ 1,402,229	\$ 1,402,229
Basic Skills 18/19	8,671	-	-	8,671	8,671
Basic Skills 19/20	306,806	-	217,068	89,738	89,738
Biotechnology 9ISPICO	15,451	-	-	15,451	15,451
Board Financial Assistance Program	433,907	-	-	433,907	433,907
CA - SWP Pathways Navigation	99,118	-	22,778	76,340	76,340
CA - SWP Reg, Non-competitive	-	60,000	31,497	28,503	28,503
CA - SWP Regional Research Inv	105,000	-	66,034	38,966	38,966
CA - SWP Work Based Learning Coordinator	60,000	55,795	-	115,795	115,795
CA - Reg SWP Job Placement Case Management	26,334	150,000	618	175,716	175,716
CA - Reg SWP – International Marketing	-	30,000	30,000	-	-
CA College Promise	1,485,400	-	893,911	591,489	591,489
Calgrant	1,600,302	-	1,621	1,598,681	1,598,681
CalWORKs	345,189	-	28,568	316,621	316,621
Campus Safety and Sexual Assault	14,076	-	-	14,076	14,076
CARE	117,190	-	13,645	103,545	103,545
Center For Excellence	160,000	40,000	-	200,000	200,000
CTE Strong Workforce	2,654,549	-	1,649,304	1,005,245	1,005,245
Disabled Students Program and Services	1,013,995	-	-	1,013,995	1,013,995
EWD DSN	220,603	-	23,297	197,306	197,306
Extended Opportunity Program and Services	921,336	-	12,857	908,479	908,479
Financial Aid Technology	131,239	-	116,122	15,117	15,117
GO - Caltrans	100,431	-	319	100,112	100,112
GO - Improving Online CTE Pathways	-	4,785	-	4,785	4,785
GO Biz Grant	50,750	80,331	-	131,081	131,081
GO DSN 18-207 LifeSci BioTech	247,498	-	23,336	224,162	224,162

See Notes to Supplementary Information

MiraCosta Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2020

Program	Program Revenues				Total Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
GO Go-Biz Cascade Solano	\$ 10,000	\$ -	\$ 5,195	\$ 4,805	\$ 4,805
GO Go-Biz TAP2018-C12	16,677	47,684	-	64,361	64,361
GO Go-Biz TAP2019-C17	24,585	31,253	-	55,838	55,838
GR - AB798 Text book Affordability	63,981	-	45,145	18,836	18,836
GR - CCC Mental Health	98,558	-	37,500	61,058	61,058
Guided Pathways	664,286	-	171,481	492,805	492,805
Hunger Free Campus	118,040	-	60,328	57,712	57,712
Instructional Equipment	127,282	-	6,056	121,226	121,226
Learning Labs Grant	-	16,511	-	16,511	16,511
Licensed Vocational Nurse to Registered Nurse Grant	243,678	-	-	243,678	243,678
Lottery	281,369	272,026	-	553,395	553,395
Matriculation - Credit	2,616,789	-	26,455	2,590,334	2,590,334
Matriculation - Noncredit	411,460	-	166,223	245,237	245,237
Part-Time Faculty Reimbursement	201,120	-	-	201,120	201,120
Staff Development	56,888	-	56,888	-	-
Staff Diversity	86,836	-	34,909	51,927	51,927
Student Equity	1,431,366	-	181,418	1,249,948	1,249,948
Student Success	1,156,374	-	82,730	1,073,644	1,073,644
SWP Labor Market Research	338,177	69,919	-	408,096	408,096
SWP Regional GCCCD DSN	18,000	-	-	18,000	18,000
Veteran's Resource Center	297,908	-	177,283	120,625	120,625
Total state awards	\$ 20,469,033	\$ 858,304	\$ 4,868,171	\$ 16,459,166	\$ 16,459,166

MiraCosta Community College District
 Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance
 Year Ended June 30, 2020

Categories	Reported Data*	Audit Adjustments	Audited Data
A. Summer intersession (summer 2019 only)			
1 Noncredit	92.35	-	92.35
2 Credit	903.80	-	903.80
B. Summer intersession (Summer 2020 - Prior to July 1, 2020)			
1 Noncredit	-	-	-
2 Credit	-	-	-
C. Primary terms (Exclusive of Summer Intersession)			
1 Census procedure courses			
(a) Weekly census contact hours	4,686.41	-	4,686.41
(b) Daily census contact hours	476.92	-	476.92
2 Actual hours of attendance procedure courses			
(a) Noncredit	496.71	-	496.71
(b) Credit	174.78	-	174.78
3 Alternative attendance accounting procedure courses			
(a) Weekly census procedure courses	1,995.36	-	1,995.36
(b) Daily census procedure courses	1,132.62	-	1,132.62
(c) Noncredit independent study/distance Education courses	39.38	-	39.38
D. Total FTES	9,998.33	-	9,998.33
Supplemental Information (subset of above information)			
E. In-service training courses (FTES)	-	-	-
F. Basic skills courses and immigrant education			
1 Noncredit	474.78	-	474.78
2 Credit	92.52	-	92.52
<u>CCFS-320 Addendum</u>			
Centers FTES			
1 Noncredit	441.73	-	441.73
2 Credit	1,123.59	-	1,123.59

*Annual report revised as of October 27, 2020.

MiraCosta Community College District

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

Year Ended June 30, 2020

	Object/ TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional salaries							
Contract or regular	1100	\$ 17,275,208	\$ -	\$ 17,275,208	\$ 17,275,208	\$ -	\$ 17,275,208
Other	1300	17,576,579	-	17,576,579	17,552,318	-	17,552,318
Total instructional salaries		34,851,787	-	34,851,787	34,827,526	-	34,827,526
Noninstructional salaries							
Contract or regular	1200	-	-	-	11,248,926	-	11,248,926
Other	1400	-	-	-	1,359,053	-	1,359,053
Total noninstructional salaries		-	-	-	12,607,979	-	12,607,979
Total academic salaries		34,851,787	-	34,851,787	47,435,505	-	47,435,505
Classified Salaries							
Noninstructional salaries							
Regular status	2100	-	-	-	16,736,174	-	16,736,174
Other	2300	-	-	-	2,920,369	-	2,920,369
Total noninstructional salaries		-	-	-	19,656,543	-	19,656,543
Instructional aides							
Regular status	2200	3,444,846	-	3,444,846	3,664,784	-	3,664,784
Other	2400	1,007,547	-	1,007,547	1,115,474	-	1,115,474
Total instructional aides		4,452,393	-	4,452,393	4,780,258	-	4,780,258
Total classified salaries		4,452,393	-	4,452,393	24,436,801	-	24,436,801
Employee Benefits	3000	15,263,921	-	15,263,921	29,660,150	-	29,660,150
Supplies and Material	4000	-	-	-	1,377,635	-	1,377,635
Other Operating Expenses	5000	-	-	-	7,964,453	-	7,964,453
Equipment Replacement	6420	-	-	-	2,184	-	2,184
Total expenditures prior to exclusions		54,568,101	-	54,568,101	110,876,728	-	110,876,728

MiraCosta Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2020

	Object/ TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to exclude							
Instructional staff - retirees' benefits and retirement incentives	5900	20,659	-	20,659	20,659	-	20,659
Student health services above amount collected	6441	-	-	-	188,745	-	188,745
Student transportation	6491	-	-	-	-	-	-
Noninstructional staff - retirees' benefits and retirement incentives	6740	-	-	-	115,325	-	115,325
Objects to exclude							
Rents and leases	5060	-	-	-	480	-	480
Lottery expenditures							
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	47,947	-	47,947
Employee benefits	3000	-	-	-	26,389	-	26,389
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, 2020

	Object/ TOP Codes	ECS 84362 A			ECS 84362 B		
		Instructional Salary Cost AC 0100 - 5900 and AC 6110			Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other operating expenses and services	5000	\$ -	\$ -	\$ -	\$ 1,443,089	\$ -	\$ 1,443,089
Capital outlay	6000						
Library books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total exclusions		20,659	-	20,659	1,842,634	-	1,842,634
Total for ECS 84362, 50 Percent Law		\$ 54,547,442	\$ -	\$ 54,547,442	\$ 109,034,094	\$ -	\$ 109,034,094
Percent of CEE (Instructional Salary Cost/Total CEE)		50.03%		50.03%	100.00%		100.00%
50% of Current Expense of Education					\$ 54,517,047		\$ 54,517,047

MiraCosta Community College District
 Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements
 Year Ended June 30, 2020

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

	Student Body Center Fee Trust
June 30, 2020, Annual Financial and Budget Report (CCFS-311)	
Reported fund balance	\$ 150,392
Adjustments to increase fund balance	
Capital assets	5,264,268
Audited Fund Balance	\$ 5,414,660

MiraCosta Community College District
 Proposition 30 Education Protection Account (EPA) Expenditure Report
 Year Ended June 30, 2020

Activity Classification	Object Code				Unrestricted
EPA Revenue:	8630				\$ 1,068,717
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	0100-5900	\$ 1,068,717	\$ -	\$ -	\$ 1,068,717
Total expenditures for EPA		\$ 1,068,717	\$ -	\$ -	\$ 1,068,717
Revenues Less Expenditures					\$ -

MiraCosta Community College District
 Reconciliation of Governmental Funds to the Statement of Net Position
 Year Ended June 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balance:		
General Funds	\$ 35,899,654	
Capital Project Funds	52,240,848	
Debt Service Funds	16,285,599	
Enterprise Funds	587,661	
Internal Service Funds	<u>401,947</u>	
Total Fund Balance - All District Governmental Funds		\$ 105,415,709
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	244,380,061	
Accumulated depreciation is	(94,264,849)	
Less fixed assets already recorded in the enterprise funds	<u>(14,680)</u>	
Net capital assets		150,100,532
Recognizing the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and the OPEB contributions in the governmental funds.		
		51,654
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 are recognized when it is incurred.		
		(1,202,604)
Deferred outflows of resources represent a consumption of net position in a future period and are not reported in the District's funds. Deferred outflows of resources at year-end consist of:		
Deferred outflows of resources related to other post employment benefits (OPEB) asset	1,202,103	
Deferred outflows of resources related to pensions	<u>34,286,662</u>	
Total deferred outflows of resources		35,488,765
Deferred inflows of resources represent an acquisition of net position that applies to a future period and are not reported in the District's funds. Deferred inflows of resources at year-end consist of:		
Deferred inflows of resources related to OPEB asset	(1,940,771)	
Deferred inflows of resources related to pensions	<u>(7,766,796)</u>	
Total deferred inflows of resources		(9,707,567)

MiraCosta Community College District
 Reconciliation of Governmental Funds to the Statement of Net Position
 Year Ended June 30, 2020

Long-term liabilities 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:

Bonds payable	\$ (78,625,971)	
Compensated absences	(2,890,666)	
Less amount set up in Governmental Funds	154,244	
Load Banking	(1,397,226)	
Less amount set up in Governmental Funds	39,250	
Aggregate net pension liability	<u>(132,626,131)</u>	
Total long-term liabilities		<u>\$ (215,346,500)</u>
Total Net Position		<u><u>\$ 64,799,989</u></u>

Note 1 - Purpose of Schedules

District Organization

This schedule provides information about the District's governing board members, administration members and auxiliary organizations as of June 30, 2020.

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, 2020. 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 ten percent de minimis cost rate.

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

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, expenses, and changes In net position:		\$ 24,718,565
Federal Pell Grant Program Administrative Allowance	84.063	<u>13,021</u>
Total expenditures of federal awards		<u><u>\$ 24,731,586</u></u>

Schedule of Expenditures of State Awards

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

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

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

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

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

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

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides 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, 2020

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of MiraCosta Community College District (the District) as of and for the year ended June 30, 2020, 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 19, 2021.

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 19, 2021



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, 2020. 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, 2020.

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 items 2020-001 and 2020-002. Our opinion on each federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

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

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.

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

Rancho Cucamonga, California
February 19, 2021



Independent Auditor's Report on State Compliance

Board of Trustees
MiraCosta Community College District
Oceanside, California

Report on State Compliance

We have audited MiraCosta Community College District's (the District) compliance with the types of compliance requirements as described in the 2019-2020 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, 2020.

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 2019-2020 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 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 439	Proposition 39 Clean Energy Fund
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

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

The District does not have any projects funded under Proposition 39 Clean Energy Fund; 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, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
February 19, 2021

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:	Yes

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	84.007, 84.033, 84.063 and 84.268
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334A
COVID-19: CARES Act Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

The following findings represent significant deficiencies of noncompliance and internal control over compliance that are required to be reported by the Uniform Guidance. The findings have been coded as follows:

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.

View of Responsible Officials and Corrective Action Plan

The District has established a corrective action to ensure the Return of the Title IV funds within 45 days. The errors occurred partially due to the office structure for processing R2T4s, which has been changed as a result. All staff have been trained and the process is to monitor course withdrawals on a bi-weekly basis.

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.

View of Responsible Officials and Corrective Action Plan

The District has established a quarterly reporting timeline for the HEERF (CARES) Act funds to be posted no later than 10 days after each calendar quarter (October 10th, January 10, April 10, and July 10) apart from the first report. The Director of Financial Aid & Scholarships has committed the quarterly report due dates to the operational calendar and data collection for reporting will be centralized moving forward.

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.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.